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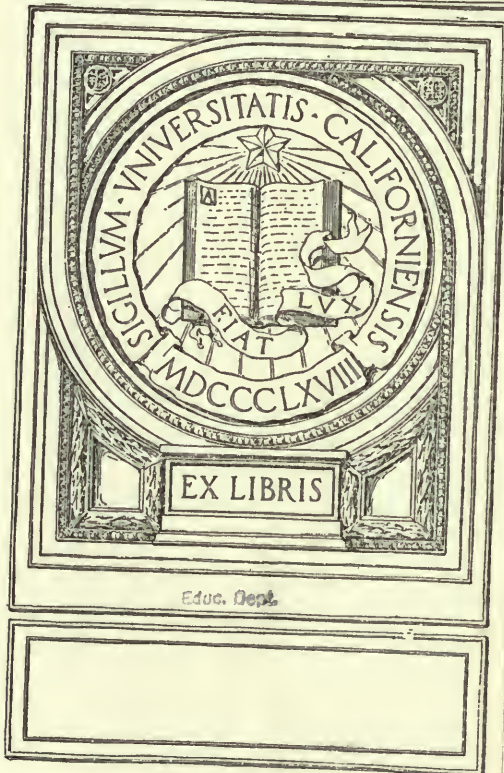


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NEW
MODERN ILLUSTRATIVE
BOOKKEEPING
ADVANCED COURSE

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NEW

MODERN ILLUSTRATIVE BOOKKEEPING

ADVANCED COURSE

Based upon the Neal & Cragin edition of Modern Illustrative Bookkeeping, Advanced Course, with revised classification of accounts and financial statements by Charles F. Rittenhouse, C. P. A., to conform to the procedure followed in New Modern Illustrative Bookkeeping, Introductory Course



SCRIPT BY EDWARD C. MILLS

AMERICAN BOOK COMPANY
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NEW MOD. ILL. BKG. ADV.

W. P. I

INTRODUCTION

The Advanced Course is designed to show the application of the principles of bookkeeping to the records of special lines of business; the development of the simple forms of books into special forms; and the classification and subdivision of accounts.

The lines of business selected are representative of four important departments of business activity — retailing, commission, wholesaling, and manufacturing. In connection with each, approved forms of records are shown, and modern methods of business procedure are explained and illustrated.

The student in taking up the work of the Advanced Course will be dealing in a sense with the selfsame transactions as in the Introductory Course, namely, goods are bought and sold, payments are made and received, notes are issued and redeemed, expenses are incurred, losses suffered, and profits realized. The difference between the introductory work and the advanced work consists in the use, in the advanced work, of certain labor-saving forms whereby is minimized the necessary burden of recording transactions. In fact, the object of advanced bookkeeping is found in its endeavor to perform the work of the bookkeeper more expeditiously and easily. Of course many new things will be covered and the student will have occasion to enlarge upon the work that has already been covered in the Introductory Course, namely, many new accounts will arise in the form of assets and liabilities, and profits and losses. The application of these new accounts to the balance sheet, and the profit and loss statements, will be on a broader and more comprehensive scale.

Bookkeeping and Accounting. — Accounting includes Bookkeeping, as the term is generally understood, and covers the whole field of account keeping, while Bookkeeping is restricted to a particular part of the field, namely, the records of the transactions.

Accounting deals chiefly with the scientific arrangement of the forms of the record mediums, such as the books, etc., the classification of the accounts, so as to cause them to show in detail the results and condition of the business, and with the statements of these results and condition. Bookkeeping deals chiefly with the making of the records, according to the classification of the accounts, and the arrangement of the forms of the record mediums, suggested by the principles of accounting. A person who makes the records of business transactions is called a "bookkeeper." One who performs the work of classifying accounts, arranging the forms of record mediums, supervising the records, and making statements of the results and condition of a business is called an "accountant." A person who examines the records for the purpose of verifying their accuracy is called an "auditor."

In the Advanced Course the student will perform the duties of bookkeeper, accountant, and auditor. It should also be noted that the prices of commodities, appearing in the various forms and transactions, are generally below the normal market quotations. The purpose, however, of this work is primarily to give practice in billing and to encourage individual effort on the part of the student and not to teach market conditions and prices, which are always subject to more or less fluctuation.

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RETAIL GROCERY BUSINESS

THE following transactions are designed to illustrate a system of bookkeeping for a modern retail grocery business, at first by single entry, after which will be shown the method of changing from single entry to double entry, of continuing the business by double entry, and of incidentally showing the use of the card ledger system of bookkeeping.

Single entry books differ from those used in double entry bookkeeping chiefly in the fact that a single entry ledger contains only accounts with persons, all property and loss and gain accounts being omitted.

The principle of equal debits and credits, belonging to double entry, is not a part of single entry bookkeeping, and consequently no equality exists between the debit and credit sides of the ledger, and no trial balance can be taken of a single entry ledger.

An account with cash should be kept in the cash book, as in double entry bookkeeping, and by means of notes receivable and notes payable books it will be easy to keep a record of notes receivable and notes payable. A record of merchandise may be kept by the use of a purchases journal and a sales book.

In a well-arranged set of single entry books it is possible to show as complete a record of the business as in a set of books kept by double entry, but it will not be in so compact a form, and it requires more work on the part of the bookkeeper.

Proof of Posting. — While no trial balance can be taken of a single entry ledger, the correctness of the posting can be determined with the same degree of accuracy as in a double entry ledger, by proving the posting. This is done by finding first, the total of the charge postings in the ledger for the month, and the total of the charge entries in the books of original entry, and then comparing the two amounts; second, by finding the total of the credit postings, and the total of the credit entries in the books of original entry, and then comparing the two amounts. This is called a *proof of posting*.

Books Used. — In order that a complete record of the following business may be obtained by single entry, the books used will be as follows: journal, cash book, abstract sales book, purchases journal, notes receivable and notes payable books, general ledger, and card ledger, using the card ledger only for customers' accounts. A simpler, but less effective, set of single entry books would consist of journal, cash book, and ledger.

Journal. — The journal contains such debits and credits to personal accounts as are not entered in the cash book and on the sales sheets, from which the abstract sales book is made up. The abbreviation *Dr.* or *Cr.* is written after the title of the account, in each entry, and the explanation underneath. The form on page 156 illustrates the journal.

Sales Slips. — In most modern grocery stores sales slips are used, and when sales of merchandise on account are made, the slips are written in duplicate by means of carbon paper by the salesman as he takes the order, verbally, or from an order book. The form on page 157 illustrates the sales slip.

The original and duplicate sales slips are sent to the office to have the prices O.K.'d. The original is retained by the bookkeeper, the duplicate being sent with the goods when they are

JOURNAL

October 1, 19 -

L.P.

Thomas E. Sears Cr. 2500
 Commenced this day at 186 Main
 St. the Retail Grocery business.
 having purchased the stock in
 trade and good will of E. R. Tur-
 man Co for \$2500 cash, this amount
 being 80% of the value of said
 stock as shown by inventory

2

E. M. Hyde & Co. Dr. 200
 Gave them my note at 10 da. paya-
 ble at City Bank to apply on acct.

7

B. F. Perkins Cr. 60
 Received his note at 30 days to
 balance his acct. to Oct. 1.

10

Thomas E. Sears Dr. 3880
 Took from the store for private use
 2 bbl. Flour 6.25 1250
 20# Sugar 6 130
 1 hf. cht. Japan Tea 50# 50 25

14

Geo. H. Glenn Cr. 125
 Bought of him a delivery wagon
 to be paid for in 30 days

16

Thomas E. Sears Cr. 150
 Furnished a horse for use on
 delivery wagon

October 22, 19--

J. S. Purcell & Co.

Dr.

59 25

Returned as not up to standard

1 bale Mocha 125* 25 31 25
1 hf. ckt Y. H. Tea 70* 40 20

delivered. Since the customer receives a complete bill with each lot of goods purchased, there is little chance for mistakes, or for a dispute, when the weekly or monthly statement is rendered. The bookkeeper enters the amount of each sales slip upon his abstract sales sheet for the day.

Abstract Sales Sheet. — The form on page 158 illustrates a daily abstract sales sheet, in which the names of the customers and the amounts of the sales on account are given, together with the cash sales for the day, and total daily sales.

Many bookkeepers keep an abstract sales book in the form shown on page 159, and post directly from this book to the customer's account in the ledger. A better method is to enter the amount of each sale on account in the abstract sales sheet for the day, and to carry only the total of the day's sales to the abstract sales book at the close of each day. Then post daily the items from the sales slip to the customer's monthly statement sheet, and carry only the total of this monthly sheet to the debit of the customer, at the end of the week or month, on his ledger card, or page, in case a book is used instead of cards. This method is preferable, as these sales slips are original entries, and it is to them that reference must be made if any discrepancy exists between an account rendered and the record kept by a customer. The bookkeeper should post these

SALES SLIP

THOS. E. SEARS					
Rochester, N. Y. Oct. 4, 19--					
Name <u>E. M. Parsons</u>					
Address <u>#25 Glasgow St.</u>					
TIME TAKEN		WHEN WANTED		TRANSACTION	
SALESMAN	ARTICLES	BOXES	JUGS	BROOMS	
4	10	1	1	1	
1	5# Sugar			33	
2	12 Eggs			30	
3	2# Butter			52	
4	1 Bread			05	
5	PK Potatoes			15	
6	Broom			35	
7	1# Coffee			26	
8	1/2# Tea			30	
9	1 Ketchup			23	
10	1 Molasses			30	
11					
12				2 79	
13					
14					
15					
16					
17					
18					
PLEASE RETURN THIS BILL IN CASE OF ERROR.					
MANUFACTURED UNDER PATENTS OF THE GARTER-GRAME COMPANY, LIMITED. NAGARA FALLS, N. Y.					

No. 279 ABSTRACT SALES SHEET, Oct. 4, 19 -

TICKET No.	L. F.	NAME.	ADDRESS.	AMOUNT OF SALE.	TOTAL DAILY SALES.
		Mrs. S. T. Worthen		4 28	
		A. B. Ryder		73	
		Eagle Hotel		12 47	
		Mrs. Wm. Hanson		2 61	
		Wm. Harper		1 34	
		Edw. Austin		3 41	
		E. M. Parsons		2 79	
		Chas. Hardy		4 13	
		G. C. Carter		74	
		A. M. Freeman		2 45	
		W. B. Allen		4 27	
		Cash Sales as per cash tickets		57 12	
				72 24	111 46

sales slips daily to the monthly statement sheets. When the posting is completed, the sales slips should be filed alphabetically, or each day's slips placed in a separate package, so that they may be readily accessible, should they be required to verify a customer's monthly statement after it has been rendered.

Cash Sales. — For sales of merchandise for cash, a sales slip is used similar in form to that used for sales on account, as shown on page 157, except that it is receipted when the goods are delivered; or, if the sale is made in the store, the customer is given a cash ticket, which is presented with the money to the cashier, who files the ticket with the cash sales slips. The sum of the amounts of these tickets and of the cash sales slips represents the sum of the cash sales of the day, and should be carried to the Sales for Cash column of the abstract sales book, and also to the debit side of the cash book. (See form of abstract sales book, page 159, and the description of cash book, page 162.) The sum should also be entered at the end of the abstract sales sheet for the day, as shown above.

In retail stores where a cash or partly cash business is done, the cash register is now quite generally used. This is a combination cash drawer and record machine, and it is designed, among other things, to prevent mistakes and fraud in handling the cash. The cash register records the amount of the purchase on a strip within the machine, and at the same time indicates this amount on the outside where it can be easily seen by the customer. The cash in the register at any time should, of course, agree with the record on the strip. Some cash registers have special arrangements for recording and exhibiting the various sources from which the cash is received, and for other information, as "Cash Sales," "Cash Rec'd on Acct.," "Charge Sales," etc. A cash register of this kind is generally used in connection with a suitably adapted charge and credit system for customers' accounts.

Abstract Sales Book. — The abstract sales book contains columns for date, number of daily abstract sales sheet, sales on account, cash sales, total daily sales, total weekly sales, and total monthly sales, so that the book will show at a glance each day's business, both cash and credit, the sum total, and the total sales at the end of each week and month.

ABSTRACT SALES BOOK

19 -

DATE	FROM SALES SHEET NO.	SALES ON ACCOUNT	SALES FOR CASH	TOTAL DAILY	TOTAL WEEKLY	TOTAL MONTHLY
Oct. 1	276	48 24	63 72	111 96		
2	277	142 20	78 45	220 65		
3	278	79 96	64 44	144 40		
4	279	39 22	72 24	111 46		
5	280	62 42	48 29	110 71		
6	281	114 33	78 98	193 31	892 49	

It is evident that the sum of the footings of the Sales for Cash and Sales on Account columns of the abstract sales book will at any time show the total sales of merchandise to date.

The above form illustrates the abstract sales book.

In the series of transactions following, the daily abstract sales sheet will be used according to the form shown on page 158, and the abstract sales book will contain only totals, as shown in the above form.

PURCHASES JOURNAL

DATE OF INVOICE	L.P.	NAME AND	ADDRESS	TERMS	WHEN DUE	WHEN PAID	AMOUNT OF INVOICE	DISCOUNT	AMOUNT PAID
19 -					19 -	19 -			
Oct. 1		T. H. Leggett & Co.	N.Y.	5% cash	Oct. 1	Oct. 1	288 40	14 42	273 98
2	✓	Wagons	City	cash	2	2	14 25		14 25
4		S. S. Pierce & Co.	Boston	Net cash	4	7	422 75		422 75
5		Part & Pitford	N.Y.	60 ds.	Dec. 4		822 45		
7		T. H. Leggett & Co.		Net 30	Nov. 6		428 45		
7	✓	White Bros.	City	cash	Oct. 7	7	124 60		124 60
10		J. D. Carson & Co.	Phila.	1% 30	25	25	620	46 60	573 40
15		S. S. Pierce & Co.	Boston	1% 30	25	25	255 70	7 67	248 03
18		E. M. Hyde & Co.	"	Net 30	Nov. 17		442 68		
19	✓	E. A. Gray & Co.	City	cash	Oct. 19	19	47 84		47 84
23		Armour & Co.	Chicago	1% 30	Nov. 2		286 40		
25		Swift & Co.	"	1% 30	4		442 65		
28	✓	T. H. Leggett & Co.	N.Y.	1% cash	28	30	345 60	3 46	342 14
30	✓	White Bros.	City	cash	30	30	39 68		39 68
		Mdse. purchased for Oct.					458 145		
Nov. 1		S. S. Pierce & Co.	Boston	Net 30	Dec. 2		1248 70		

Purchases Journal. — The purchases journal is an abstract of the invoices of merchandise purchased in the regular course of business. Where the old form of invoice book is kept, it would be unnecessary to keep the purchases journal, since all the records of the invoices and

MODEL FORM OF DOUBLE ENTRY CASH BOOK FOR NOVEMBER

CASH RECEIPTS

DATE	L. F.	ACCOUNTS CR.	EXPLANATIONS	ACCOUNTS RECEIVABLE CR.	SUNDRY CR.	DISCOUNT ON NOTES REC.	NET RECEIPTS
19—							
Nov. 1		Balance					131 55
1		M. E. Lynaugh			578 37		
1		Mdse. Sales			221 45		799 82
		Mrs. F. Cooper		24 25			
		J. A. Smith		25			
		Mrs. A. Jackson		9 48			58 73
8		Mdse. Sales			288 74		288 74
		A. B. Hooper		38 30			
		Mrs. S. T. Jones		15			
		P. J. Black		19 34			
		T. B. Odell		30			102 64
		Notes Receivable			842 68	8 96	833 72
15		Mdse. Sales			362 28		
		E. B. Hyde		6 73			
		Mrs. A. Dolan		20			
		E. L. Doran		23 68			
		C. A. Murdy		26 95			
		Jas. B. Long		25			102 36
		Notes Receivable			112 40		
		Interest on Notes Rec.			93		475 61
22		Mdse. Sales			422 16		422 16
		Mrs. S. T. Jones		5 66			
		Mrs. J. Judd		25			
		Wm. Black		26 41			
		Edward Cooper		26 07			
		T. B. Hazen		50			133 14
		Notes Receivable			622 85		
		Interest on Notes Rec.			6 32		629 17
Nov. 29		Mdse. Sales			436 98		436 98
		Mrs. A. Jackson		5 82			
		Mrs. J. Judd		24 11			
		J. B. Long		25			
		Horses & Wagons		90			144 93
		Notes Receivable			168 75	1 75	167
29		Accounts Receivable Cr.		541 80			
29	v	Sundries Cr.			4063 91		
29		Discount on Notes Receivable Dr.				10 71	
29		Cash Dr.					4595
		Balance November 1, 19—					131 55
<p>NOTE.—In this model of Cash Book the explanations are omitted, but in actual work they should always be supplied.</p>							
19—							4726 55
Dec. 1		Balance					963 05

MODEL FORM OF DOUBLE ENTRY CASH BOOK FOR NOVEMBER
CASH DISBURSEMENTS

DATE	L. F.	ACCOUNTS DR.	EXPLANATIONS	ACCOUNTS PAYABLE DR.	SUNDY DR.	DISCOUNT ON PURCHASES	NET PAYMENTS
19— Nov. 1		Smith & Brown		100			100
		Amer. Paper Co.		114 72		1 25	113 47
		F. H. Smith & Co.		144 70		10 34	134 36
		Jones Bros.		43 94			43 94
		U. S. Market Co.		8 44			8 44
		General Expense			50		
		Office Supplies			2 50		
		General Expense			4 75		
		Freight In			2 17		
		Salaries			12		
		Marsh			20		
		(Student)			25		
							116 42
8		Cobb Bates & Jones		162 74			162 74
		Park & Jackson		68 74		1 37	67 37
		F. H. Smith & Co.		68 94		5 07	63 87
		Brown & Co.		132 21		2 64	129 57
		Nielsen & Co.		142 38		2 85	139 53
		M. S. Baker & Sons		18 39		37	18 02
		Horses & Wagons			125		
		Horses & Wagons			100		
		U. S. Market & Co.		28 65			28 65
		General Expense			1 25		
		Stable Expense			5		
		Horses & Wagons			31		
		Freight In			1 96		
		Salaries			54		
							318 21
15		Smith & Brown		100			100
		Held Grocery Co.		151 15		7 56	143 59
		Notes Payable			458 95		
		Interest on Notes Pay.			1 53		
		Brown & Co.		98 37		1 97	96 40
		Amer. Paper Co.		69 98		70	69 28
		Insurance			35		
		U. S. Market Co.			63 42		
		Stable Expense			1 25		
		Stable Expense			10		
		Salaries			54		
		General Expense			1 87		
		Freight In			17 42		
		J. M. Marsh			60		
		(Student)			50		
							753 44
22		Huffcut Bros.		109 49		2 19	107 30
		S. M. Thompson & Co.		86 29		2 59	83 70
		Smith & Co.		102 40		1 02	101 38
		Stable Expense			10		
		General Expense			10		
		Salaries			54		
		Freight In			1 45		
		U. S. Market Co.		46 28			75 45
29		Smith & Brown		100			46 28
		Horses & Wagons			125		100
		M. S. Baker & Sons		48 13		48	47 65
		Brown & Co.		116 20		2 32	113 88
		Nielsen & Co.		178 95		5 37	173 58
		U. S. Market Co.		62 46			62 46
		Freight In			4 27		
		Stable Expense			10		
		Stable Expense			1 25		
		Salaries			54		
		J. M. Marsh			25		
		(Student)			25		
							244 52
29		Accounts Payable Dr.		2303 55			
29	V	Sundries Dr.			1508 04		
29		Discount on Purchases Cr.				48 09	
29		Cash Cr.					3763 50
29		Balance					963 05
							4726 55
19—							

MONTHLY STATEMENT.

Thos. E. Sears,
GROCER,

Liberty Building, Main St. East.

14, 18 and 20 Lake Avenue,

Plymouth Avenue, cor. Spring St.

Rochester, N. Y., *Nov. 1, 19*Sold to *E. M. Parsons.*

Oct.	1	12 Eggs	28		
		2* Butter	60		
	2	1 bbl. Flour	4 75		
		3* Coffee	75		
		12 Oranges	35		
	4	5* Sugar	33		
		12 Eggs	30		
		2* Butter	52		
		Bread	05		
		Pk. Potatoes	15		
		Broom	35		
		Coffee	26		
		1/2* Tea	30		
		Ketchup	23		
		Molasses	30		
	9	1 bl. Apples	2 ..		
		bu. Potatoes	60		
	12	10* Sugar	65		
		Cr. Wheat	15		
	15	5* Butter	1 30		
		C. Peaches	20		
	24	2* Choc	60		
		Sardines	35		
		12 Eggs	30		
	28	2* Cheese	30		
		C. Peas	18		
	29	" Beans	15		
		" Tomatoes	10	16	40

also the items of these purchases would be found in the invoice book. Many bookkeepers, however, keep a purchases journal, and file the invoices loose, instead of pasting them into a book. In this series of transactions, no invoices are received by the student, but an abstract of invoices is kept in the purchases journal, which contains columns for the date of the invoice, the ledger folio, the name of the person or firm from whom the goods were bought, the terms of payment, the due date, the date of payment, the amount of the invoice, the discount, and the amount paid. The form on page 159 illustrates the purchases journal.

It is evident that the footing of the Amount of Invoice column in the purchases journal will, at any time, show the amount of purchases, and this amount will be the cost of purchases at any date. The total footing of the columns of the abstract sales book will show the amount of sales at any time.

Cash Book. — The cash book used in single entry does not differ materially from the simple form of cash book used in the Introductory Course. The left-hand page contains a record of all cash received, and the right-hand page a record of all cash paid out; also a special column for discount on purchases allowed on bills paid within the specified date. When such accounts are posted, two debit entries should be

made on the personal account affected, one for the discount on purchases, and one for the net amount paid, thus canceling the amount of the invoice.

It is not necessary in a single entry cash book to write the name of the account affected by the transaction, except when it is a personal account, as only accounts with persons are kept in the ledger, and only those entries in the cash book which affect personal accounts will be posted to the ledger.

Customers' Statements. — In most grocery establishments where modern methods are in use, the items from the sales slips are not posted to the ledger account of the customer, but instead are posted directly from the sales slips to a monthly statement sheet, which at the end of the month is handed, or mailed, to the customer, and the total only of this sheet is posted

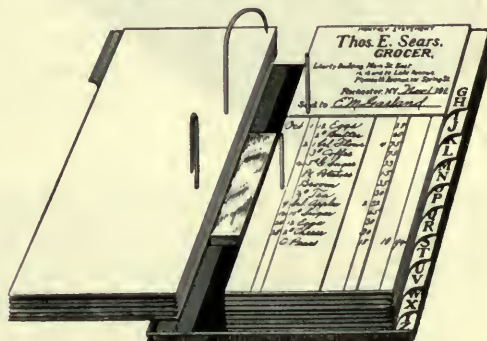
to his account in the ledger. When a statement sheet is handed in with cash to make payment of the account, the sheet is receipted and returned to the customer, who receives credit in the ledger for the amount of his payment in the regular posting from the cash book, where the payment should be entered when made. The postings to the statement sheets should be made at the end of each day before the sales slips of that day are filed away for reference. The form on page 162 illustrates a customer's statement sheet.

A shorter method would consist in posting to the customer's statement sheet only the totals of the sales slips, not repeating the items on the statement sheet. This would save a large amount of work to the bookkeeper, and if the customer keeps his sales slips delivered with each order, he can readily compare his statement sheet with his sales slips; but in practice it is found that customers do not invariably keep these sales slips, and there are more likely to be disputes about the amount of the monthly statement than when the items are repeated on the statement sheet as here illustrated.

Many small retailers keep only two books—cash book and ledger—in connection with the sales slip and statement system. They keep the original sales slips in alphabetical order in a cabinet, which contains wire racks or clips, and the statements in an account file, as explained below.

Ledger Account File.—Each day, after the customers' statement sheets are posted, they should be placed in an indexed file where they are readily accessible, and from which they should be removed as soon as the month's work is posted, and handed, or mailed, to the customer. An excellent form of file is the ledger account file shown in the accompanying illustration, which can be put in the safe at night, the same as an ordinary ledger.

LEDGER ACCOUNT FILE



Loose Leaf and Card Ledger Systems.—The system of bookkeeping by means of loose sheets and cards, properly indexed, in place of books, has grown rapidly in favor during the past few years; this is especially true in business houses where there are numerous departments, and where a large number of books would be necessary in order to keep a complete record. The records of the day are made on loose sheets, and these sheets are handed to the head bookkeeper, who places them in properly arranged files, so that the record of each day's business in every department is readily accessible. Out of this system of account keeping has grown what is known as the *card ledger*, a method of keeping ledger accounts on cards which possesses many advantages, among which are the following:

First, the ledger kept by this system contains no accounts with persons who have ceased to do business with the firm, for as soon as a customer closes his account, either by removing from the place, or by transferring his custom to some other business house, his card is taken from the receptacle containing the ledger cards and placed in a file kept for accounts that have been closed. If the customer returns, the card may be taken from this file and replaced in the ledger receptacle. In taking a trial balance, or an abstract of his customers' ledger, therefore, the bookkeeper has only live accounts to deal with, and there is less liability to make mistakes.

Second, the cards are easily handled, and once the cabinet has been purchased, the ledger can be extended at a small expense, the cards costing little more than ordinary writing paper. In case statements are desired promptly, a ledger of a thousand customers' accounts could be worked upon at the same time by the entire office force, while with a book ledger but one

PRELIMINARY WORK

OCTOBER 1, 19—

You have this day purchased of Adams & Hackland their entire stock of groceries, in the store situated at #222 Division St., and invoiced at \$2993.33, for 75% of the invoiced value, for which you have paid cash. The net value of this stock of merchandise represents your merchandise investment; you also invest \$300 in cash.

You have agreed to collect the accounts due Adams & Hackland and allow them 95% of their face value, and become responsible yourself for any losses which may arise from bad debts.

The following customers of Adams & Hackland owe the amounts opposite their names.

Mrs. S. T. Worthen,	26 Laurel St.,	\$23.45
A. B. Ryder,	61 Spring St.,	44.28
C. H. Stratton, Elm House,	Central Square,	212.40
Mrs. Wm. Hanson,	28 Summer St.,	31.42
Wm. Harper,	62 East St.,	38.49
Edward Austin,	31 Green St.,	28.74
Mrs. F. Gilford,	44 Brown St.,	21.39
E. L. Corey,	54 Brown St.,	18.96
Mrs. A. Waldron,	82 Chestnut St.,	39.48
P. J. McGuire, Cottage Hotel	52 Ann St.,	169.34
		<u>\$627.95</u>

You have agreed to pay Adams & Hackland the amount of 95% of these bills within three months after Oct. 1. You have also agreed to continue the lease of the store #222 Division St. until Jan. 1, at the present rental of \$50 per month, and to retain the store clerks, Thos. Stuart and Eugene Canfield, at a salary of \$12 per week each, and J. M. Marsh as delivery clerk at \$20 per week, he furnishing a horse and a delivery wagon.

Make an entry in the journal, giving yourself credit for the net value of the merchandise; in the cash book credit yourself with \$300 invested. In the journal credit Adams & Hackland with 95% of the value of accounts purchased of them (see model journal, page 156); also enter a memorandum of the customers' balances in the journal.

In this series of transactions the card ledger is used, as explained and illustrated on pages 163, 164.

Take from your package of business forms the blank cards for your customers' card ledger, and enter on the debit side, after the name and address of each person have been written, the amount due, under date of Oct. 1, writing *Balance* in the explanation column. Use the alphabetic arrangement for your card ledger, and keep the ledger cards in the original envelope, in front of the blank cards.

TRANSACTIONS

OCTOBER 1, 19—

Bought of Hackett Bros., City, on account, 60 ds., 2% 10 ds., 10 bbl. N. S. flour at \$5; 10 bbl. Redcloud at \$4.50; 5 bbl. pastry at \$5.50.

Enter your purchases in the purchases journal. (See model, page 159.)

Bought of E. J. Dunn Grocery Co., City, 4 mos., 5% 10 ds., 2 hf. cht. Young Hyson tea, 140 lb., at 32¢; 2 hf. cht. Oolong, 100 lb., at 47¢; 2 hf. cht. Eng. Breakfast, 120 lb., at 30¢; 2 bags Rio coffee, 250 lb., at 10¢; 1 bale Mocha, 150 lb., at 22¢; 2 mats Java, 150 lb., at 21¢.

Bought of the American Sugar Refining Co., New York, on account, 30 ds., 1% 10 ds., 5 bbl., 1565 lb., G. sugar at 5½¢; 2 bbl., 622 lb., C. sugar at 5¢.

Purchased, for cash, of Gray Bros., City, 20 bu. potatoes at 40¢; 5 bbl. apples at \$1.50.

Purchased, for cash, of Williams & Andrews, City, 60 doz. fresh eggs at 20¢; 120 doz. case eggs at 15¢. (No entry in cash book at this time.)

The following ten sales slips have been handed in by the salesmen.

No. 1 Mrs. S. T. Worthen, #26 Laurel St., 3 lb. butter at 25¢; 12 eggs, 20¢; 1 pk. apples, 20¢; 1 pk. potatoes, 15¢; 1 gal. K. oil, 12¢; 1 lb. M. & J. coffee, 32¢.

Make out a statement sheet for each person named on the sales slips, and enter the items of each day's sales on the statement sheets, allowing a line for each item. Keep your statement sheets in alphabetical order in your large envelope. In actual practice, the statement sheets would be placed in the ledger account file, and at the end of the day the slips would be placed in an envelope or file and marked with the current date; as, *Oct. 1, 19—*, so that if any dispute arose regarding the sales slips, they could be readily referred to. (See model of statement sheet, page 162; see illustration of ledger account file, page 163.) No entry for a sale is made in the books.

The grocer who keeps his books in the old style enters all his credit sales on a blotter, posts from the blotter to the ledger, and makes out his statements from the ledger at the end of the month. The modern grocer posts the sales slips directly to the customers' monthly statement sheets, and at the end of the month the statements are ready for the customers, as the bookkeeper should do his posting at the end of each day. The footings only of the statement sheets are carried to the customers' ledger.

No. 2 A. B. Ryder, #61 Spring St., 1 lb. E. B. tea, 60¢; 1 lb. M. & J. coffee, 32¢; 1 pkg. gelatine, 15¢; 2 lb. raisins at 16¢; 10 lb. butter at 23¢; 12 S. F. eggs, 24¢.

No. 3 C. H. Stratton, Elm House, 1 tub butter, 40 lb., at 22¢; 10 doz. case eggs at 18¢; 2 bbl. apples at \$1.75; 1 bbl. N. S. flour, \$5.50; 4 sacks pastry flour at \$1.50.

No. 4 Mrs. Wm. Hanson, #28 Summer St., 2 pkgs. rolled oats at 12½¢; 2 lb. lard at 15¢; 5 doz. case eggs at 18¢; 6 cans tomatoes at 10¢; 6 cans corn at 10¢; 20 lb. G. sugar at 6¢; 2 lb. Rio coffee at 20¢; ½ lb. W. pepper at 40¢.

No. 5 Wm. Harper, #62 East St., 2 lb. butter at 26¢; 1 box boneless codfish, 45¢; 1 can tomatoes, 10¢; 1 bu. potatoes, 60¢; 1 pk. apples, 20¢; 1 lb. Y. H. tea, 50¢.

No. 6 Edward Austin, #31 Green St., 1 bbl. N. S. flour, \$5.50; 2 lb. cream cheese at 16¢; 1 lb. Y. H. tea, 50¢; 12 S. F. eggs, 24¢; 5 gal. K. oil at 13¢.

No. 7 Mrs. F. Gilford, #44 Brown St., 12 S. F. eggs, 24¢; 2 lb. butter at 26¢; 1 pk. potatoes, 15¢; 1 head cabbage, 6¢; 2 bunches beets at 5¢; 1 lb. lard, 15¢; 5 cakes laundry soap at 5¢; 5 lb. rice at 10¢; 1 gal. molasses, 60¢.

No. 8 Edward L. Corey, #54 Brown St., 1 broom, 35¢; ½ gal. maple sirup at \$1.25; 1 can tomatoes, 10¢; 1 bu. potatoes, 60¢; 1 bbl. apples, \$2.

No. 9 Mrs. A. Waldron, #82 Chestnut St., 2 lb. butter at 26¢; 1 lb. cheese, 16¢; 1 sack pastry flour, \$1.50; 1 lb. lard, 15¢; 12 S. F. eggs, 26¢; 1 pkg. H. O. pancake, 10¢; 1 qt. maple sirup, 35¢.

No. 10 P. J. McGuire, Cottage Hotel, #52 Ann St., 1 lb. M. & J. coffee, 32¢; 1 washboard, 50¢; 1 lb. raisins, 10¢; 1 bottle bluing, 10¢; 1 broom, 30¢; 1 pkg. rolled oats, 13¢; 12 oranges, 35¢.

The amount of cash sales, as shown by the cash tickets handed in by the salesmen and the customers, is \$121.45. Enter this amount in the cash book, on the debit side, with the explanation, *Cash sales, as per tickets*.

Enter the total of each customer's sales slip against the customer's name on an abstract sales sheet, dated *Oct. 1*, and numbered *1*: also enter the total cash sales underneath, and carry these amounts to the proper columns of the abstract sales book. (See models, pages 158 and 159.) File the abstract sales sheets in numeric order in your large envelope.

Paid cash as follows: Books and stationery, \$6.25; postage stamps, \$1; one month's rent in advance, \$50; merchandise purchased of Gray Bros., \$15.50; merchandise purchased of Williams & Andrews, \$30. Enter in the cash book.

Balance your cash book, entering the difference in red ink on the credit side. Bring down the balance on the left-hand, or debit, side, in the second column, under date of Oct. 8. In this series of transactions the cash book will be balanced at the close of each day's business, in accordance with the custom in actual retail business.

OCTOBER 8, 19—

Purchased of S. M. Crockett & Co., City, on account, 30 days, 3% 10 ds., 5 doz. tomato ketchup at \$1.50; 1 gro. bluing, \$7.50; 3 doz. brooms at \$2.

Purchased of Gray Bros., for cash, 50 heads cabbage at 4¢; 60 bunches beets at 2¢.

Bought, for cash, from wagons, 20 doz. S. F. eggs at 20¢; 60 lb. cream cheese at 12¢.

The following sales slips have been handed in by the salesmen.

No. 1 Mrs. S. T. Worthen, 10 lb. G. sugar at 6½¢; 1 bottle bluing, 10¢; 2 lb. cheese at 16¢; 1 lb. Y. H. tea, 50¢.

No. 2 Wm. Harper, 1 lb. M. & J. coffee, 32¢; 1 bbl. N. S. flour, \$5.75; 2 qt. molasses at 12½¢; 5 cakes laundry soap at 5¢.

No. 3 A. B. Ryder, 10 lb. G. sugar at 6½¢; 1 pkg. R. oats, 12¢; 1 pk. potatoes, 15¢; 5 gal. K. oil at 13¢; 5 lb. lard at 12¢.

No. 4 Mrs. F. Gilford, 10 lb. G. sugar at 6½¢; 1 lb. M. & J. coffee, 32¢; 1½ lb. cheese at 16¢; 1 sack flour, \$1.50; 1 can corn, 10¢; 1 can tomatoes, 10¢; 1 broom, 35¢.

No. 5 E. B. Woods, #44 Laurel St., 2 lb. print butter at 30¢; 1 bu. potatoes, 60¢; 1 pk. apples, 20¢; 12 bananas, 20¢; 5 lb. G. sugar at 6½¢; 1 lamp chimney, 10¢; 1 bbl. N. S. flour, \$5.75.

No. 6 Edward Austin, 10 lb. tub butter at 24¢; 1 lb. M. & J. coffee, 32¢; 5 lb. lard at 12¢; 1 broom, 35¢; 10 lb. G. sugar at 6½¢; 3 lb. codfish at 15¢.

No. 7 Mrs. A. Waldron, 1 bbl. apples, \$2.25; 10 lb. lard at 12¢; 10 lb. sugar at 6½¢; 2 lb. Rio coffee at 20¢; 1 lb. Y. H. tea, 50¢.

No. 8 C. H. Stratton, Elm House, 10 bu. potatoes at 55¢; 1 hf. cht., 50 lb., E. B. tea at 50¢; 1 bale, 125 lb., M. & J. coffee at 30¢; 5 doz. S. F. eggs at 22¢; 1 case corn flakes, 36 pkg., \$4.50; 1 bbl. oatmeal, \$4.75; 1 bx. prunes, 50 lb., \$6.

No. 9 Chas. A. Dodge, #57 Chestnut St., 1 lb. E. B. tea, 60¢; 1 lb. M. & J. coffee, 32¢; 6 lemons, 18¢; 12 S. F. eggs, 24¢; 1 bbl. flour, \$5.75; 5 lb. lard at 12¢.

No. 10 P. J. McGuire, Cottage Hotel, 1 gal. vinegar, 25¢; 1 bbl. N. S. flour, \$5.75; 5 lb. butter at 24¢; 2 cans C. milk at 15¢; 1 bottle O. oil, 75¢; 1 bunch celery, 15¢; 1 can chicken, 40¢.

Cash sales for the day, per cash tickets, \$214.12. (Abstract sales sheet and cash book.)

Do not forget to make proper entries on a daily abstract sales sheet (No. 2), and also in the abstract sales book. Number the abstract sales sheets consecutively.

Received cash from customers as follows: Mrs. F. Gilford, \$21.39; P. J. McGuire, \$50; Wm. Harper, \$18.49; Mrs. Wm. Hanson, \$20.

Deposit \$550 in City Bank.

In this set you will not be required to use a check book, but will keep an account with the bank on last pages of your Blank No. 1. Head these pages, *Account with City Bank*. Write the date the same as in the cash book; in the first explanation space write *Deposit*; in the second explanation space, *Currency*; in the first money column the amount, \$550. When a check is called for in the transactions, write the date, the name of the party to whom the check is given in the first explanation space, for what given in the second explanation space, and carry the amount into the second, or right-hand money column. The difference at any time between the two money columns will show the amount of cash in bank.

Paid cash as follows: (Checks) Hackett Bros., invoice of Oct. 1, less 2% (enter in cash book, purchases journal, and bank account. See model of purchases journal, page 159); E. J. Dunn Grocery Co., invoice of Oct. 1, less 5%. (Currency) Gray Bros., invoice of even date, \$3.20; merchandise purchased from market wagons, \$11.20; salaries, Stuart, \$12; Canfield, \$12; Marsh, \$20; freight, \$3.42.

Balance your cash book, and bring down the amount the same as in double entry.

OCTOBER 15, 19—

Bought of Park & Tilford, New York, net 2 mos., 3/10, merchandise as per invoice, \$287.90.

Bought of S. S. Pierce & Co., Boston, net 2 mos., 2/10, merchandise as per invoice, \$468.32.

Purchased of St. Louis Milling Co., St. Louis, net 4 mos., 5/10, merchandise as per invoice, \$450.

Purchased of Gray Bros., City, for cash, 50 heads cabbage at 4¢; 1 bu. turnips, 45¢; 80 bbl. apples at \$2.

Purchased of Trent Commission Co., City, for cash, 4 tubs C. butter, 200 lb. at 17¢; 10 baskets late peaches at 65¢.

The following sales slips have been handed in by the salesmen.

No. 1 C. H. Stratton, Elm House, 1 pail mackerel, 20 lb., \$4.25; 1 tub lard, 60 lb., at 10¢; 1 doz. tomato ketchup, \$2.25; 6 doz. S. F. eggs at 22¢; 4 sacks pastry flour at \$1.50; 1 bbl. N. S. flour, \$5.50.

No. 2 Mrs. S. T. Worthen, 1 bbl. apples, \$2.50; 1 bu. potatoes, 60¢; 5 lb. butter at 25¢; 12 S. F. eggs, 24¢; 1 lb. M. & J. coffee, 32¢.

No. 3 Mr. Wm. Harper, 20 lb. G. sugar at 6½¢; 10 lb. lard at 12¢; 3 cans corn at 10¢; 1 lb. E. B. tea, 60¢; 4 lb. raisins at 15¢; 1 broom, 35¢.

No. 4 E. L. Corey, 1 bbl. flour, \$5.75; 10 lb. tub butter at 24¢; ½ lb. pepper at 40¢; 1 box sardines, 35¢; 12 pickles, 15¢.

No. 5 P. J. McGuire, Cottage Hotel, 1 case, 36 cans, tomatoes at 8¢; 1 case, 36 cans, corn at 8¢; 1 tub lard, 40 lbs., at 11¢; 1 bbl., 212 lb., sugar at 6¢; 3 doz. lemons at 25¢.

No. 6 E. B. Woods, 1 bbl. apples, \$2.50; 1 lb. E. B. tea, 60¢; 1 lb. M. & J. coffee, 32¢; 5 lb. print butter at 30¢; 1 clothesline, 30¢.

No. 7 Chas. A. Dodge, 20 lb. tub butter at 24¢; 1 bu. potatoes, 60¢; 1 sack pastry flour, \$1.50; 1 gal. M. sirup, \$1.25; 1 jug, 15¢.

No. 8 Mrs. F. Gilford, 1 bu. potatoes, 60¢; 2 pkg. shredded wheat biscuit at 12½¢; 10 lb. tub butter at 24¢; 1 ham, 12 lb., at 12½¢; 12 S. F. eggs, 25¢.

No. 9 Mrs. A. Waldron, 1 bbl. N. S. flour, \$5.75; 5 lb. tub butter at 24¢; 1 lb. E. B. tea, 60¢; 1 broom, 35¢; 1 pkg. gelatine, 15¢; 1 pkg. Cream of Wheat, 15¢.

No. 10 Edward Austin, 12 S. F. eggs, 25¢; 1 bbl. apples, \$2.25; 1 bu. potatoes, 60¢; 1 can salmon, 24¢; 1 bottle O. oil, 35¢; 1 head lettuce, 5¢.

No. 11 Mrs. Wm. Hanson, 1 bbl. N. S. flour, \$5.75; 1 bu. potatoes, 60¢; 20 lb. G. sugar at 6½¢; ¼ cht., 18 lb., Y. H. tea at 45¢.

No. 12 A. B. Ryder, 1 bbl. N. S. flour, \$5.75; 1 bu. potatoes, 60¢; 1 bbl. apples, \$2.25; 1 bottle ketchup, 22¢; 1 qt. beans, 10¢; 1 lb. pork, 12¢.

Cash sales for the day, per cash tickets, \$184.96.

Received cash from customers as follows: Mrs. S. T. Worthen, Sept. account, \$23.45; A. B. Ryder, \$44.28; Wm. Harper, \$20; Edward Austin, \$28.74; E. L. Corey, \$18.96; Mrs. Wm. Hanson, \$11.42.

Received of C. H. Stratton his note at 4 mos., with interest, for \$212.40, to balance his account to Oct. 1st. (Enter in journal and notes receivable book.)

Had your note, dated to-day, at 90 days for \$100, and indorsed by your teacher, discounted at the City Bank, and received credit for the net proceeds.

Deposited \$125.

Paid cash as follows: (Checks) second-hand safe, purchased of Diebold Safe Co., \$100; S. M. Crockett & Co., invoice of 8th inst., less 3%; American Sugar Refining Co., invoice of Oct. 1, less 1%; Gray Bros., invoice of even date, \$162.45; Trent Commission Co., invoice of even date, \$40.50. (Currency) office desk and fixtures, \$30; salaries, Stuart, \$12; Marsh, \$20; Canfield, \$12; freight, \$57.42.

(Student) drew cash for private use, \$50.

Remember to balance your cash book.

OCTOBER 22, 19—

Purchased of Gray Bros., City, for cash, 10 bbls. apples at \$2; 50 bu. potatoes at 45¢; 30 doz. case eggs at 15¢.

Bought for cash, from market wagons, 40 doz. S. F. eggs at 22¢; 50 hd. cabbage at 5¢; 400 lb. squash at 1¢.

Bought of American Sugar Refining Co., 30 ds., 1/10, merchandise as per invoice, \$124.72.

Bought of S. S. Pierce & Co., Boston, net 60, 3/10, merchandise as per invoice, \$468.75.

Purchased of F. H. Leggett & Co., New York, net 60, 3/10, merchandise as per invoice, \$344.70.

The following sales slips have been handed in by the salesmen.

No. 1 A. B. Ryder, 1 pail mackerel, 20 lb., \$3.75; 1 sack pastry flour, \$1.50; 12 S. F. eggs, 25¢; 1 box cigars, \$5.50; 5 lb. coffee at 30¢; 12 oranges, 35¢.

No. 2 Mrs. Wm. Hanson, 1 bx., 5 lb., codfish at 12¢; 1 ham, 18 lb., at 12½¢; 1 case C. corn, 36 cans, at 8¢; 1 case C. tomatoes, 36 cans, at 8¢; 4 sacks pastry flour at \$1.50; 2 brooms at 30¢.

No. 3 Edward Austin, 1 ham, 12 lb., at 12½¢; 12 eggs, 25¢; 10 lb. G. sugar at 6½¢; 2 lb. coffee at 32¢; 1 sack pastry flour, \$1.50; 1 bottle bluing, 10¢; 1 can chicken, 40¢.

No. 4 Mrs. A. Waldron, 1 can chicken, 40¢; 1 bunch celery, 15¢; 1 bottle O. oil, 75¢; 1 5-lb. can coffee, \$1.50; 1 lamp, 50¢; 5 gal. K. oil at 13¢; 1 clothesline, 30¢.

No. 5 Mrs. F. Gilford, 1 bbl. N. S. flour, \$5.75; 1 can tongue, 75¢; 5 bars laundry soap at 5¢; 1 bottle ketchup, 22¢; 10 lb. G. sugar at 6½¢.

No. 6 Chas. A. Dodge, 5 lb. lard at 12¢; 1 ham, 15 lb., at 12½¢; 5 gal. K. oil at 13¢; 1 box cigars, \$2.50; 1 broom, 35¢; 12 eggs, 25¢; 12 bananas, 25¢.

No. 7 Mrs. S. T. Worthen, 1 cake Sapolio, 10¢; 2 lb. coffee at 32¢; 5 lb. lard at 12¢; 1 bbl. N. S. flour, \$5.75; 12 bananas, 25¢.

No. 8 C. H. Stratton, Elm House, 500 cigars at \$35 per M.; 200 cigars at \$55 per M.; 1 ham, 26 lb., at 12¢; 1 bbl. N. S. flour, \$5.50; 6 doz. S. F. eggs at 22¢; 20 doz. case eggs at 16¢; 1 tub butter, 52 lb., at 22¢; 1 bbl. G. sugar, 216 lb., at 6¢; $\frac{1}{2}$ cht. Y. H. tea, 60 lb., at 40¢.

No. 9 Wm. Harper, 1 sack pastry flour, \$1.50; 10 lb. tub butter at 24¢; 2 lb. cheese at 16¢; 5 gal. K. oil at 13¢; 1 bbl. apples, \$2.50; 12 oranges, 35¢.

No. 10 E. L. Corey, 1 ham, 16 lb., at 12 $\frac{1}{2}$ ¢; 20 lb. G. sugar at 6 $\frac{1}{2}$ ¢; 1 lamp, 40¢; 1 5-lb. can coffee, \$1.50; 3 gal. K. oil at 15¢.

No. 11 P. J. McGuire, Cottage Hotel, 200 cigars at \$35 per M.; 1 bbl. N. S. flour, \$5.50; 1 doz. T. ketchup, \$2; 1 tub butter, 50 lb., at 22¢; $\frac{1}{2}$ cht. Y. H. tea, 60 lb., at 40¢; 5 gal. K. oil at 13¢; 1 lb. baking powder, 50¢.

No. 12 E. B. Woods, 1 sack pastry flour, \$1.50; 2 lb. Rio coffee at 20¢; 5 lb. lard at 12¢; 1 lb. chocolate, 30¢; 1 can tongue, 75¢; 1 bottle Worcestershire, 40¢; 1 pail mackerel, 10 lb., \$2.25.

Cash sales for the day, per cash tickets, \$242.36.

Received cash from customers as follows: P. J. McGuire, \$50; Mrs. A. Waldron, \$20.

Had your note at 4 mos. for \$500 discounted at the City Bank, and received credit for the net proceeds.

Deposited \$225.

Paid cash as follows: (Checks) Park & Tilford, invoice of 15th inst., \$287.90, less 3%; St. Louis Milling Co., invoice of 15th, \$450, less 5%. (Currency) Gray Bros., \$47; goods from market wagons, \$15.30; freight and cartage, \$11.32; salaries, Canfield, \$12; Stuart, \$12; Marsh, \$20.

OCTOBER 29, 19—

Is your cash book balanced?

Purchased of Williams & Andrews, City, for cash, 2 bx. oranges at \$3.50; 2 bx. lemons at \$3; 4 tubs Cr. butter, 240 lb., at 19¢; 5 bx. cheese, 252 lb., at 11¢.

Purchased of Cobb, Bates & Yerxa, Boston, subject to sight draft in 10 days, merchandise as per invoice, \$262.74.

Bought of Park & Tilford, New York, net 60, 2/10, merchandise as per invoice, \$68.74.

Bought of F. H. Leggett & Co., New York, net 4 mos., 3/10, merchandise as per invoice, \$168.94.

Purchased of S. S. Pierce & Co., Boston, net 60, 3/10, merchandise as per invoice, \$88.45.

Purchased, for cash, country produce amounting to \$16.42.

The following sales slips have been handed in by the salesmen.

No. 1 E. B. Woods, 20 lb. tub butter at 22¢; 15 lb. G. sugar at 6 $\frac{1}{2}$ ¢; 5 gal. K. oil at 13¢; $\frac{1}{8}$ cht. Y. H. tea, 15 lb., at 40¢; 1 lb. baking powder, 50¢.

No. 2 P. J. McGuire, Cottage Hotel, 2 hams, 47 lb., at 12¢; 1 bbl. oatmeal, \$4.75; 1 case Cr. of Wheat, 36 pkg., at 12 $\frac{1}{2}$ ¢; 6 brooms at 25¢; 6 doz. oranges at 25¢; 3 doz. lemons at 20¢.

No. 3 E. L. Corey, 1 gal. maple sirup, \$1.25; 5 bu. potatoes at 60¢; 1 broom, 35¢; 1 can ox tongue, 75¢; 1 bx. mustard, 15¢.

No. 4 Wm. Harper, 1 ham, 18 lb., at 12 $\frac{1}{2}$ ¢; 3 cans peaches, 50¢; 5 lb. coffee at 30¢; 10 lb. G. sugar at 6 $\frac{1}{2}$ ¢; 1 bx. gelatine, 15¢; 12 oranges, 35¢.

No. 5 C. H. Stratton, Elm House, 1 tub lard, 54 lb., at 10¢; 20 lb. print butter at 23¢; 10 doz. S. F. eggs at 24¢; 1 case wheaten, 36 pkg., at 12 $\frac{1}{2}$ ¢; 12 bx. sardines at 25¢; 1 bx. lemons, \$4.50; 1 bbl. pastry flour, \$6; 1 ham, 24 lb., at 12¢; $\frac{1}{4}$ cht. E. B. tea, 15 lb., at 50¢.

No. 6 Mrs. S. T. Worthen, 20 lb. G. sugar at $6\frac{1}{2}\text{¢}$; 5 lb. Y. H. tea at 45¢ ; 1 can ox tongue, 75¢ ; 6 lemons, 15¢ ; 5 gal. K. oil at 13¢ .

No. 7 A. B. Ryder, $\frac{1}{8}$ cht. E. B. tea, 15 lb., at 50¢ ; 1 bu. potatoes, 60¢ ; 12 S. F. eggs, 26¢ ; 1 lamp chimney, 10¢ ; 1 can tomatoes, 10¢ ; 1 ham, 14 lb., at $12\frac{1}{2}\text{¢}$.

No. 8 Mrs. Wm. Hanson, 1 bbl. N. S. flour, \$5.75; 25 lb. oatmeal at 5¢ ; 1 pail mackerel, 10 lb., \$2.25; 1 bbl. apples, \$2.50; 20 lb. G. sugar at $6\frac{1}{2}\text{¢}$; 5 gal. K. oil at 13¢ .

No. 9 Edward Austin, 12 S. F. eggs, 26¢ ; 5 lb. E. B. tea at 50¢ ; 10 lb. tub butter at 22¢ ; 1 bx. mustard, 15¢ ; 2 cans corn at 10¢ .

No. 10 Mrs. A. Waldron, 3 lb. print butter at 26¢ ; 1 sack pastry flour, \$1.50; 1 ham, 12 lb., at $12\frac{1}{2}\text{¢}$; 10 lb. G. sugar at $6\frac{1}{2}\text{¢}$; 1 gal. molasses, 40¢ ; 1 lb. baking powder, 50¢ .

No. 11 Mrs. F. Gilford, 5 gal. K. oil at 13¢ ; 1 bbl. apples, \$2.75; 5 lb. coffee at 30¢ ; 1 lamp, 35¢ ; 1 broom, 30¢ ; $\frac{1}{4}$ gr. matches, 25¢ .

No. 12 Chas. A. Dodge, 12 S. F. eggs, 26¢ ; 1 lb. coffee, 32¢ ; 1 bbl. apples, \$2.50; 1 wash tub, \$1.10; 1 lb. chocolate, 30¢ .

Cash sales for the day, per cash tickets, \$216.48.

Received cash as follows: P. J. McGuire, \$50; Mrs. A. Waldron, \$10.

Deposited \$150.

Paid cash as follows: (Checks) Williams & Andrews, invoice of even date, \$86.32; 5 tons coal, \$25. (Currency) salaries, Canfield, \$12; Stuart, \$12; Marsh, \$20; country produce, \$16.42; freight, \$4.88.

Gave S. S. Pierce & Co., Boston, your note at 20 days, dated Oct. 25th, with interest, for amount of invoice of Oct. 15th, less 2%.

Posting. — You will now post your books. Remember that in single-entry you post only such transactions as affect personal accounts, and that only personal accounts appear in either the general ledger or the card ledger.

The card ledger debits will be taken entirely from the statement sheets. Remove these statements from the file, and post only the totals to the corresponding cards of the card ledger, placing the date of each sale in the explanation space. (See model ledger card, page 164.) Remember to keep your card ledger in alphabetical order.

The card ledger credits will be found on the debit side of the cash book and in the journal. Turn to your cash book and post all cash entries which affect the accounts of persons whose names appear in the card ledger. (See form, page 164.) Place a check mark against each name in the cash book. Turn to your journal and post any items which may affect customers' accounts, placing a check mark against each item to indicate posting.

Your own account and the accounts with those business concerns of whom you purchase goods, and all other personal accounts, except those with customers and trade creditors, will be kept in the general ledger, and the postings to these accounts will be made from the journal, purchases journal, and the cash book. Open these accounts in your general ledger (Blank No. 2). Allow one third of a page to each account beginning on page 3 of the blank. Use the first page of the blank for an alphabetical index to your general ledger. Index an account immediately after it is opened.

Post from purchases journal the amount of each invoice of goods bought on account, to the credit of the account named; then post from the journal and the cash book such items as should be carried to these accounts. Place a check mark against each cash item. See explanation of cash book, page 162.

Foot and rule the purchases journal and the abstract sales book.

Having completed your posting, prove the same (see Proof of Posting, page 155).

STATEMENT OF RESOURCES AND LIABILITIES

HENRY T. BROWN, OCTOBER 31, 19—

RESOURCES					
Cash, balance on hand		253	72		
Merchandise, per inventory		3491	18		
Furniture and fixtures		250			
Notes receivable, per notes receivable book		197	25		
Accounts receivable, per card ledger		773	67		
Total resources				4965	82
LIABILITIES					
Notes payable, per notes payable book		985	95		
Accounts payable, per general ledger		1805	38		
Total liabilities				2791	33
Present Worth				2174	49
SCHEDULE OF ACCOUNTS RECEIVABLE					
OCTOBER 31, 19—					
Mrs. S. T. Wood	25.10				
H. B. Runyon	36.25				
John Stratton	114.87				
Mrs. Wm. Howard	175.23				
Wm. Harper	212.15				
Chas. Kennedy	25.20				
Edward L. Corlis	13.10				
Mrs. A. Wallace	45.12				
P. J. McGuire	26.30				
Mrs. Fred Young	52.10				
E. B. Woodruff	29.75				
Charles Doyle	18.50				
Total	773.67				
SCHEDULE OF ACCOUNTS PAYABLE					
OCTOBER 31, 19—					
Adams & Hackland	482.35				
American Sugar Refining Co.	216.20				
Park & Tilford	75.68				
J. J. Powers Co.	517.22				
F. H. Leggett & Co.	351.46				
Cobb, Bates & Young	162.47				
Total	1805.38				

Make an abstract of your card ledger on a sheet of paper, showing the amount due from each customer, and total amount due.

From your notes receivable book find the amount of the notes receivable in your possession, and from your cash book find the amount of cash on hand and in bank.

From your general ledger find the amount due your creditors, and from your notes payable book the amount of notes you have outstanding. Balance your bank account.

Your inventory shows the following:

Merchandise on hand, valued at \$4400.63,
Furniture and fixtures, " " 125.

From this data prepare a statement of resources and liabilities, using the above model. Find the net gain or the net loss according to the form for proprietor's statement on page 173.

PROPRIETOR'S STATEMENT

OCTOBER 31, 19—

Henry T. Brown,	invested	2500			
"	withdrew	250			
"	net investment			2250	
"	present worth			2174	49
Net Loss				75	51

Carry the net loss shown in your proprietor's statement to the debit side of the proprietor's account in the ledger, and close the account in the same way as in double entry, bringing the balance down under the date *Nov. 1*.

CONTROLLING ACCOUNTS AND SUBSIDIARY LEDGERS

The student will remember that in the elementary work the Journal was first used as a book in which all transactions were recorded, and that later on in the work, special journals were introduced, in which transactions of certain classes were recorded; *i.e.*, cash, sales, and purchase journals.

Similarly the Ledger has been used up to this time for all accounts, but whenever accounts of one class become sufficiently numerous the ledger may be subdivided in the same manner as the journal. This is accomplished by removing the accounts of a certain class from the general ledger and placing them in a separate or subsidiary ledger.

This of course will upset the balance of the general ledger, and in order to restore this equality of debits and credits an account is opened with the subsidiary ledger.

This account in the general ledger, which serves as a substitute for the accounts in the subsidiary ledger, is called a Controlling account.

The balance of this account must at all times be kept in agreement with the sum of all the balances of the accounts in the subsidiary ledger.

All debits and credits which are posted to the subsidiary ledger daily are posted to the controlling account in aggregate at the end of the month. Each debit or credit to the subsidiary ledger accounts must be posted twice, once to the individual account in the subsidiary ledger and once to the controlling account in the general ledger. To save labor in posting, special columns are provided so that the postings to the controlling account are made in the total only, at the end of the month.

The bookkeeper is thus able to take a trial balance from the general ledger independently of the subsidiary ledger.

Your card ledger in this set is a subsidiary ledger and the controlling account is Accounts Receivable. The accounts of trade creditors will also be taken out of the general ledger and will be operated in a separate book called the purchases ledger. The creditors' controlling account in the general ledger will be called Accounts Payable.

The following short exercise will serve to illustrate the principles of controlling accounts.

Short exercise illustrating controlling accounts :

- October 1 Wm. P. Daniels begins business, investing cash \$2000, merchandise \$2500, store building \$4000, office equipment \$500.
 2 Sell Wm. Howard on account mdse. \$154.

- 3 Sell C. T. Young on account mdse. \$106.40.
- 4 Purchased of Stratton & Walsh mdse. on account \$250.
- 5 Purchased of Bruce & Co. mdse. on account \$400.
- 6 Sell J. T. Powers mdse. on account \$258.
- 7 Sell G. F. Kennedy mdse. on account \$365.45.
- 8 Sell H. M. Adams mdse. on account \$112.50.
- 9 Sell J. D. White mdse. on account \$116.95.
- 10 Pay salaries to date \$250.
- 11 Pay electric light bill \$10.50.
- 12 Received cash from Wm. Howard in full \$154.
- 13 Purchased of Scott & Co. mdse. on account \$150.
- 14 Pay Bruce & Co. cash on account \$200.
- 15 Receive of G. F. Kennedy cash on account \$200.
- 16 Receive of H. M. Adams cash on account \$50.

In recording the above transactions use a general ledger, sales ledger, and purchases ledger. Allow six accounts to the page in the ledgers. This exercise is not to be written in the grocery blanks, but on loose ledger and journal sheets.

RETAIL GROCERY BUSINESS — Continued

PRELIMINARY WORK — ADMISSION OF PARTNER AND CHANGE TO DOUBLE ENTRY

NOVEMBER 1, 19—

THE business of the past month has shown a small loss, but as the sales are increasing, you have decided to continue the business and take a partner, J. M. Marsh, your present delivery clerk, and also to install a department of meat, fish, and poultry in addition to your grocery business.

You have decided to keep the books by double entry and to put them into double entry form before forming the partnership.

Changing from Single Entry to Double Entry. — To change a set of books from single entry to double entry it is only necessary to open such new accounts in the ledger as shall cause it to exhibit all the resources and liabilities of the business as are shown by the statement of resources and liabilities.

NOVEMBER 1, 19—

	Cash	per cash book	315	26	
	Purchases	per inventory	4837	63	
	Furniture and Fixtures	valued at	275		
	Notes Receivable	per notes receivable book	182	31	
	Accounts Receivable	per card ledger	489	25	
	Notes Payable	per notes payable book			1085
✓	Accounts Payable	per general ledger			75
✓	John D. Bruce	present worth			2965
	This entry made to change books	from single entry to double entry			87
					2047
					83

From your statement of resources and liabilities of October 31 make an entry in the journal, similar to an opening entry, according to the model on page 174.

In posting the opening entry check but do not post the personal accounts payable and the proprietor's account, as these items are already in the general ledger. All other accounts in the opening entry should be posted.

Allow one third of a page for each account.

The debits and credits should now be equal, and to prove this you should take a trial balance. You are now ready to proceed with double entry. The journal and cash book are to be kept as in earlier work in double entry. In order to ascertain the amount of the total purchases and sales for each month, the footing of the Amount of Invoice column of the purchases journal should be posted to the debit of Purchases at the end of the month, as it shows all purchases of merchandise; and the footing of the Monthly Sales column of the abstract sales book should be posted to the credit of Sales, as it shows all the sales of merchandise.

By agreement with J. M. Marsh, your partner, the new firm takes over all the resources and assumes all the liabilities of your present business, and Marsh invests property of equal value as described on the following page.

Articles of copartnership have been drawn up by your attorney and executed by you and your partner, showing the investment of each partner, and containing the following conditions:

You (Student) shall act as bookkeeper and cashier, and shall have general charge of the inside management of the store; shall receive all cash, sign all notes, checks, and other negotiable instruments of the firm, and attend to the purchase of all groceries.

J. M. Marsh shall have charge of the delivery of goods, the taking of orders, with such assistance as may be necessary, and shall attend to the buying of all country produce and provisions.

Each partner shall give his entire time to the business, and shall be entitled to draw, for living expenses, cash not to exceed \$100 per month, or its equivalent in goods from the store at cost.

The profits and losses of the business shall be divided equally at the end of each year, or at such period as the books may be closed.

A bill of sale has been drawn up by your attorney and executed by you, disposing of your entire resources to the firm of (Student) & Marsh, subject to the payment of your liabilities as shown by your statement of October 31. This bill of sale represents your investment in the new firm.

The firm of (Student) & Marsh will continue to use the same set of books as were previously used in the business, and the ledger already contains the accounts representing your investment.

You should now make the proper entries for the investment of J. M. Marsh, which the firm receives from him as follows:

Note in his favor, dated Sept. 4, at four months from date, signed by Edward W. Lawrence, indorsed by E. W. Lynch. Face of note, \$942.68; discount for unexpired time, \$10.06.

Note in his favor, dated Sept. 19, at four months, with interest, signed by George M. Kelly, indorsed by Wm. H. Kelly & Co. Face of note, \$622.85; interest due on note to date, \$4.46.

Horse, wagon, and harness, now used for delivering goods, valued at \$250.

Cash \$578.37, which is the balance necessary to make his investment equal your own present worth, as shown by your statement of October 31.

Following are model forms for the necessary journal and cash book entries.

				1				
		John D. Bruce and Arthur Lyman have this day formed a partnership under the firm name of Bruce & Lyman, to take over and continue the business heretofore conducted by said John D. Bruce.						
		The investment of Bruce is represented by the resources of his former business which he has transferred to the firm, less his liabilities which are assumed by the firm, as shown by above entry.						
		The investment of Lyman is represented by the following entry:						
		Notes Receivable	per notes receivable book		500			
		Interest	on above		375			
		Horses and Wagons	valued at		225			
√		Cash	per cash book		1321	58		
		Discount	on notes receivable					250
		Arthur Lyman	net investment					2047 83

CASH

19—								
Nov.	1	√	Arthur Lyman	invested		1321	58	

You are now ready to proceed with the second month's work in the retail grocery business. You should at this point transfer the accounts of creditors from the general ledger to the purchases ledger. This may be done by entering the balance of each creditor's account on the smaller side of such account, together with the date, Nov. 1, and the explanation in the wide column, "Purchases ledger, page —," adding the page of that ledger to which the balance is transferred. The explanation in the purchases ledger should be, "General ledger, page —," adding the page of the general ledger from which the balance has been transferred.

The following Expense accounts will be used in this set: Salaries, Office Supplies, Stable Expense, Insurance, General Expense. A Freight-In account will also be kept.

TRANSACTIONS

NOVEMBER 1, 19—

Engaged Geo. Carter as meat cutter, at \$15 per week, and Willis Holt as driver and order clerk, at \$15 per week.

Purchased of Armour & Co., Chicago, 30 ds., 2/10, dressed meat, as per invoice, \$132.21.

Purchased of Swift & Co., Chicago, 30 ds., 2/10, beef, mutton, and lard, as per invoice, \$142.38.

Bought of Gray Bros., City, for cash, 5 tubs butter, 212½ lb., at 20¢; 2 bx. cheese, 104 lb., at 11¢.

Bought of E. J. Dunn Grocery Co., City, 4 mos., 5/10, 2 hf. cht. Japan tea, 120 lb., at 25¢; 2 hf. cht. E. B. tea, 120 lb., at 32¢; 2 bales Mocha coffee, 300 lb., at 25¢; 2 mats Java coffee, 150 lb., at 26¢; 1 pail cinnamon, 25 lb., at 25¢.

Purchased of M. S. Newton & Sons, Boston, 30 ds., 2/10, fish, as per invoice, \$18.39.

Bought country produce from market wagons, for cash, \$18.44.

The following sales slips have been handed in by the salesmen.

No. 1 Chas. A. Dodge, 8 lb. rib roast at 16¢; 20 lb. G. sugar at 6½¢; 12 lemons, 25¢; 1 bl. Graham flour, \$5.25; 1 bx. macaroni, 35¢; 1 bottle Worcestershire, 40¢.

No. 2 Thomas B. Tucker, Tucker's Tavern, 10 lb. porterhouse at 22¢; 6 lb. lamb chops at 16¢; 22 lb. ham at 12¢; 6 doz. S. F. eggs at 25¢; 12 lb. fish at 10¢; 5 bu. potatoes at 60¢; 1 case wheaten, 36 pkg., at 12¢.

No. 3 Mrs. Fred Gilford, 7 lb. pork roast at 12¢; 20 lb. tub butter at 24¢; 1 sack Graham flour, \$1.25; ½ lb. cinnamon at 50¢; ½ bu. beans at \$3; 1 bottle T. ketchup, 22¢.

No. 4 E. B. Woods, 12 lb. turkey at 18¢; 1 qt. oysters, 40¢; 1 can Java coffee, 10 lb., at 30¢; 1 gal. molasses, 50¢; 1 lb. cocoa, 55¢; 3 doz. S. F. eggs at 28¢.

No. 5 Mrs. Wm. Hanson, 1 tub butter, 42 lb., at 22¢; 4 doz. S. F. eggs at 28¢; 8 lb. pork roast at 15¢; 10 lb. beef roast at 16¢; 5 lb. round steak at 14¢; 5 lb. Java coffee at 30¢; 1 case C. peas, 36 cans, at 12¢.

No. 6 Wm. Harper, 7 lb. lamb at 16¢; 5 bu. potatoes at 60¢; 1 sack Graham flour, \$1.25; 1 gal. maple sirup, \$1.25; 5 lb. print butter at 28¢; 1 bottle capers, 30¢.

No. 7 E. L. Corey, 8 lb. corned beef at 12¢; 20 lb. tub butter at 24¢; 1 sack pastry flour, \$1.50; 1 bx., 12 lb., prunes, at 12¢; 1 lb. baking powder, 50¢; 1 hd. cabbage, 10¢.

No. 8 James B. Longley, Star Restaurant, 10 lb. sirloin steak at 18¢; 12 lb. porterhouse steak at 20¢; 1 ham, 24 lb., at 12¢; 6 doz. S. F. eggs at 25¢; 1 doz. T. ketchup, \$2.25; 1 doz. Crown olives, \$3; 18 lb. turkey at 16¢.

No. 9 A. B. Ryder, 6 lb. veal roast at 18¢; 1 qt. oysters, 40¢; 3 bu. potatoes at 60¢; 20 lb. G. sugar at 6½¢; 1 sack buckwheat flour, \$1; 1 gal. maple sirup, \$1.25; 1 lb. baking powder, 50¢.

No. 10 C. H. Stratton, 20 lb. sirloin steak at 15¢; 12 lb. porterhouse at 18¢; 22 lb. sirloin roast at 15¢; 10 lb. pork roast at 12¢; 39 lb. turkey at 15¢; 1 bbl. N. S. flour, \$5.50; 1 bbl. Graham flour, \$4.75; 5 gal. maple sirup at \$1.15; 1 sack buckwheat flour, \$1; 1 hf. cht. Japan tea, 60 lb., at 35¢.

No. 11 Mrs. S. T. Worthen, 1 pr. chickens, 9 lb., at 16¢; 1 bu. potatoes, 60¢; 24-lb. tub butter at 25¢; 1 lb. baking powder, 50¢.

No. 12 P. J. McGuire, 10 lb. sirloin at 16¢; 5 doz. S. F. eggs at 28¢; 200 cigars at \$35 per M.; 100 cigars at \$55 per M.; 15 lb. chicken at 15¢; 6 lb. ox tongue at 20¢.

Enter the sales on customers' monthly statement sheets exactly as in October.

Cash sales for the day, per cash tickets, \$321.45.

Your cash book is now the ordinary double entry cash book, and you must always give the name of each account affected by any transaction, the same as in cash books which you used in previous double entry work. Where cash sales or purchases are made, place a check mark in the ledger folio column of the cash book opposite Sales and Purchases, as these amounts are posted to the Purchases and Sales accounts from the purchases journal, and from the abstract sales book, and not from the cash book. (See model form of cash book, pages 160 and 161.)

Received cash as follows: Mrs. F. Gilford, payment of October account, \$24.25; E. B. Woods, on account, \$25; Mrs. A. Waldron, balance of September account, \$9.48.

Deposited \$800.

Paid cash as follows: (Checks) Adams & Hackland, on account, \$100; American Sugar Refining Co., invoice of Oct. 22, less 1%; F. H. Leggett & Co., invoice of Oct. 22, less 3%; Gray Bros., City, invoice of even date, \$53.94; Daniel Stoneglass, rent for November, \$50. (Currency) merchandise from the National Market Co., \$18.44; stamps and postals, \$2.50; replacing broken window, \$4.75; freight, \$2.17; salaries, Canfield, \$6; Stuart, \$6.

(Student) drew for private use, cash, \$25. Marsh drew for private use, cash, \$20.
Gave S. S. Pierce & Co. note at 30 ds., with interest, to pay invoice of Oct. 22, less 3%.

NOVEMBER 8, 19—

Purchased of Hackett Bros., City, 60 ds., 2/10, 10 bbl. K. oil, 642 gal., at $9\frac{1}{2}\text{¢}$; 1 hhd. Golden Drip sirup, 96 gal., at $37\frac{1}{2}\text{¢}$; 2 bbl. salt pork at \$6.25.

Bought of S. M. Crockett & Co., 60 ds., 3/10, 5 gross bluing at \$7.25; 1 gross T. ketchup, 144 bottles, at 11¢ ; 36 one-gallon cans M. sirup at 95¢ .

Bought of Gray Bros., City, net 30, 2/10, 5 cases eggs, 60 doz., at 15¢ ; 130 lb. turkey at 13¢ ; 65 lb. chicken at 12¢ .

Bought produce of the National Market Co., for cash, \$28.65.

Purchased of American Sugar Refining Co., New York, net 30, 1/10, invoice amounting to \$69.98.

Bought of Armour & Co., Chicago, net 30, 2/10, invoice of pork and sausage, \$98.37.

Bought of Swift & Co., Chicago, net 30, 1/10, invoice of beef and mutton, \$102.40.

Purchased of M. Newton & Sons, Boston, net 30, 1/10, invoice of fish and oysters, \$19.69.

The following sales slips have been handed in by the salesmen.

No. 1 E. L. Corey, 6 lb. chicken at 15¢ ; $\frac{1}{2}$ bbl. Graham flour at \$5.50; 1 gal. maple sirup, \$1.25; $\frac{1}{4}$ bu. beans, 80¢ ; 5 gal. K. oil at 13¢ ; 12 lb. G. sugar at $6\frac{1}{2}\text{¢}$; 1 gal. pickles, 50¢ .

No. 2 Wm. Harper, $10\frac{1}{2}$ lb. chicken at 16¢ ; 1 bbl. pastry flour, \$6; 2 doz. case eggs, at 22¢ ; 12 oranges, 35¢ ; 1 bottle extract vanilla, 40¢ ; 2 pkg. shredded wheat, 25¢ ; 1 broom, 35¢ .

No. 3 Mrs. Wm. Hanson, 6 lb. pork chops at 12¢ ; 8 lb. round steak at 14¢ ; 12 lb. sirloin roast at 15¢ ; $11\frac{1}{2}$ lb. pork roast at 12¢ ; 1 bbl. pastry flour, \$6; 3 doz. bananas at 20¢ ; 1 gal. vinegar, 25¢ .

No. 4 Mrs. S. T. Worthen, 8 lb. sirloin roast at 20¢ ; $\frac{1}{2}$ bbl. G. flour, \$2.75; 12 S. F. eggs, 28¢ ; 2 lb. cheese at 16¢ ; 1 5-lb. can Java coffee, \$1.50; 12 lemons, 25¢ .

No. 5 Edward Austin, 2 lb. round steak at 16¢ ; 8 lb. corned beef at 12¢ ; 1 hd. cabbage, 10¢ ; 1 bu. potatoes, 60¢ ; $\frac{1}{8}$ cht. E. B. tea, 15 lb., at 55¢ ; 1 bottle T. ketchup, 24¢ ; 12 eggs, 28¢ .

No. 6 Mrs. A. Waldron, 8 lb. lamb roast at 16¢ ; 20 lb. G. sugar at $6\frac{1}{2}\text{¢}$; 5 lb. tub butter at 25¢ ; 1 bbl. Graham flour, \$5.25; 1 gal. pickles, 50¢ ; 2 pkg. shredded wheat, 25¢ .

No. 7 Chas. A. Dodge, 9 lb. turkey at 16¢ ; 2 qt. cranberries at 10¢ ; 1 bu. potatoes, 60¢ ; 12 case eggs, 22¢ ; 1 box cigars, \$5.50; 1 gal. vinegar, 25¢ .

No. 8 James B. Longley, 1 sack buckwheat flour, \$1.50; 1 gal. M. sirup, \$1.25; 5 gal. S. pickles at 40¢ ; 1 bbl. K. oil, 42 gal., at 11¢ ; 20 lb. chicken at 14¢ ; 28 lb. rib roast at 14¢ ; 16 lb. pork roast at 11¢ ; 15 lb. sir. roast at 15¢ ; 17 lb. porterhouse at 18¢ .

No. 9 Mrs. F. Gilford, $9\frac{1}{2}$ lb. turkey at 16¢ ; 1 qt. oysters, 40¢ ; 20 lb. G. sugar at $5\frac{1}{2}\text{¢}$; 1 bu. potatoes, 60¢ ; 1 lb. baking powder, 50¢ ; 12 oranges, 35¢ .

No. 10 P. J. McGuire, 10 lb. sirloin roast at 16¢ ; 20 lb. rib roast at 14¢ ; 10 lb. pork roast at 12¢ ; 16 lb. turkey at 16¢ ; 1 bbl. N. S. flour, \$5.50; 1 bbl. pastry flour, \$5.75; 1 doz. T. ketchup, \$2; 6 doz. oranges at 25¢ .

No. 11 E. B. Woods, $11\frac{1}{4}$ lb. sirloin roast at 16¢ ; 5 bu. E. R. potatoes at 55¢ ; 1 bbl. apples, \$2.75; 10 lb. lard at $12\frac{1}{2}\text{¢}$; 20 lb. G. sugar at $6\frac{1}{2}\text{¢}$; 1 bottle bluing, 10¢ ; $\frac{1}{2}$ bbl. G. flour at \$5.50.

No. 12 Thomas B. Tucker, 12 doz. S. F. eggs at 26¢; 15 lb. sirloin steak at 16¢; 1 bbl. N. S. flour, \$5.50; 1 bbl. pastry flour, \$5.75; 1 bbl. oatmeal, \$5.25; 1 sack buckwheat, \$1.50; 5 gal. M. sirup at \$1.15.

No. 13 C. H. Stratton, 22 lb. porterhouse at 18¢; 31 lb. beef, sirloin, at 15¢; 26 lb. lamb at 15¢; 12 lb. pork chops at 10¢; 10 bu. potatoes at 55¢; 1 mat Java coffee, 75 lb., at 28¢; 48 lb. butter at 25¢; 30 doz. case eggs at 18¢.

Cash sales for the day, per cash tickets, \$388.74.

Received cash as follows: A. B. Ryder, October account, \$38.30; Mrs. S. T. Worthen, on account, \$15; P. J. McGuire, balance of September account, \$19.34; T. B. Tucker, on account, \$30.

Had the note of E. W. Lawrence discounted at the City Bank, and received credit for the net proceeds. Face of note, \$942.68; discount, \$8.96.

Deposited \$300.

Paid cash as follows: (Checks) Cobb, Bates & Yerxa, draft at sight for invoice of Oct. 29; Park & Tilford, invoice of Oct. 29, less 2%; F. H. Leggett & Co., invoice of Oct. 29, less 3%; Armour & Co., invoice of Nov. 1, less 2%; Swift & Co., invoice of Nov. 1, less 2%; M. S. Newton & Sons, invoice of Nov. 1, less 2%; bay horse, \$125; delivery wagon, \$100. (Currency) merchandise from National Market Co., \$28.65; cleaning windows, \$1.25; board of horse, \$5; harness, \$31; freight, \$1.96; salaries, Canfield, \$12; Stuart, \$12; Carter, \$15; Holt, \$15.

Received of C. H. Stratton his note at 60 ds., with interest added, to settle October account. Amount of account, \$266.09; interest, 60 ds., \$2.66.

Returned to E. J. Dunn Grocery Co., 1 bale Mocha coffee, 150 lb., at 25¢. Too much of this kind was ordered.

NOVEMBER 15, 19—

Purchased of Armour & Co., Chicago, net 30, 2/10, invoice amounting to \$116.20.

Purchased of Swift & Co., Chicago, net 60, 3/10, invoice amounting to \$178.95.

Bought of M. S. Newton & Sons, Boston, net 30, 1/10, invoice amounting to \$28.44.

Bought of S. S. Pierce & Co., Boston, 60 ds., 3/10, invoice amounting to \$246.39.

Purchased of Park & Tilford, New York, net 30, 2/10, invoice amounting to \$63.44.

Bought of Cobb, Bates & Yerxa, Boston, acceptance 30 ds. from date, invoice, \$213.42.

Bought merchandise from National Market Co., for cash, \$63.42.

The following sales slips have been handed in by the salesmen.

No. 1 C. H. Stratton, 1 bbl. G. sugar, 217 lb., at 6¢; 1 bbl. N. S. flour, \$5.50; 1 bbl. pastry flour, \$5.75; 1 bx. oranges, \$4.75; 20 doz. S. F. eggs at 25¢; 20 lb. fresh fish at 11¢; 12 lb. sirloin steak at 15¢; 22 lb. sirloin roast at 15¢; 500 cigars at \$35 per M.; 200 cigars at \$55 per M.

No. 2 A. B. Ryder, 8 lb. beef roast at 16¢; 12 S. F. eggs, 28¢; $\frac{1}{2}$ bbl. G. flour at \$5.50; 10 lb. lamb at 12 $\frac{1}{2}$ ¢; $\frac{1}{4}$ bu. beans at \$3.20.

No. 3 Wm. Harper, 1 qr. lamb, 16 lb., at 15¢; 10 lb. lard at 12 $\frac{1}{2}$ ¢; 6 lemons, 15¢; 12 S. F. eggs, 25¢; 2 lb. cheese at 16¢; 1 sack buckwheat flour, \$1.25.

No. 4 Mrs. Wm. Hanson, 5 lb. lamb chops at 16¢; 18 lb. ham at 11¢; 8 lb. round steak at 14¢; 1 case C. tomatoes, 36 cans, at 8¢; 1 case C. corn, 36 cans, at 8¢; 1 bbl. G. flour, \$5.25; 1 lb. pepper, 65¢; 1 lb. ginger, 60¢.

No. 5 Edward Austin, 2 lb. halibut at 20¢; 6 lb. sir. roast at 16¢; 20 lb. G. sugar at 6 $\frac{1}{2}$ ¢; 12 S. F. eggs, 28¢; 1 bbl. apples, \$2.75; 1 bottle T. ketchup, 24¢; 1 lamp, 40¢.

No. 6 Thomas B. Tucker, 1 tub butter, $42\frac{1}{2}$ lb., at 22¢; 1 cheese, $28\frac{1}{2}$ lb., at $12\frac{1}{2}$ ¢; 1 case C. tomatoes, 36 cans, at 8¢; 1 case C. corn, 36 cans, at 8¢; 1 case C. peas, 36 cans, at $12\frac{1}{2}$ ¢; $22\frac{1}{2}$ lb. fresh fish at 12¢; $26\frac{1}{2}$ lb. chicken at 14¢; 18 lb. sirloin steak at 15¢; 24 lb. sirloin roast at 15¢.

No. 7 J. B. Longley, 1 bbl. N. S. flour, \$5.75; 1 bbl. pastry flour, \$6; $32\frac{1}{2}$ lb. turkey at 15¢; 21 lb. lobster at 16¢; 5 gal. oysters at \$1.20; 15 lb. codfish at $12\frac{1}{2}$ ¢; 1 bbl. G. sugar, 231 lb., at 6¢.

No. 8 Chas. A. Dodge, $6\frac{1}{2}$ lb. veal roast at 16¢; 12 lb. G. sugar at $6\frac{1}{2}$ ¢; 12 S. F. eggs, 28¢; 1 bx. dried peaches, 10 lb., at 15¢; $\frac{1}{4}$ gr. matches, 25¢.

No. 9 Mrs. A. Waldron, $9\frac{1}{2}$ lb. turkey at 16¢; 10 lb. lard at $12\frac{1}{2}$ ¢; 1 gal. vinegar, 25¢; 1 lb. E. B. tea, 60¢; 1 qt. pickles, 15¢; 2 lb. raisins at 15¢.

No. 10 P. J. McGuire, 1 tub butter, $43\frac{1}{2}$ lb., at 22¢; 1 tub lard, 48 lb., at 11¢; $22\frac{1}{2}$ lb. rib roast at 14¢; $11\frac{1}{2}$ lb. pork roast at 10¢; 8 lb. sirloin steak at 15¢; 1 case eggs, 30 doz., at 20¢; 1 doz. C. tomatoes, \$1.

No. 11 E. B. Woods, $7\frac{1}{2}$ lb. chicken at 15¢; 15 lb. tub butter at 22¢; 3 lb. raisins at 15¢; 2 lb. citron at 20¢; 2 lb. dried currants at $12\frac{1}{2}$ ¢; 8 lb. beef at 8¢.

No. 12 Mrs. F. Gilford, $4\frac{1}{2}$ lb. chicken at 15¢; 1 sack buckwheat flour, \$1.25; 1 gal. M. sirup, \$1.25; 5 lb. lard at $12\frac{1}{2}$ ¢; 1 bx. dried apricots, 5 lb., at 20¢; 2 pkg. shredded wheat, 25¢.

Cash sales for the day, per cash tickets, \$362.28.

Received cash as follows: E. B. Woods, balance of October account; Mrs. A. Waldron, on account, \$20; E. L. Corey, to balance October account; C. A. Dodge, to balance October account; James B. Longley, on account, \$25.

Had C. H. Stratton's note of Oct. 15 discounted at the City Bank, and net proceeds placed to credit. Face of note, \$212.40; discount, \$.93.

Deposited, \$400.

Paid cash as follows: (Checks) Adams & Hackland, on account, \$200; E. J. Dunn Grocery Co., invoice of Nov. 1, less 5% (deduct \$37.50, amount of goods returned); note in favor of S. S. Pierce & Co., due Nov. 14, with interest; face of note, \$458.95; interest, \$1.53; Armour & Co., invoice of Nov. 8, less 2%; American Sugar Refining Co., invoice of Nov. 8, less 1%; insuring stock of groceries and fixtures one year from date; policy, \$3500; premium, 1%. (Currency) purchases from National Market Co., \$63.42; shoeing horse, \$1.25; board of horses, \$10; salaries, Canfield, \$12; Stuart, \$12; Holt, \$15; Carter, \$15; telegrams and telephone service, \$1.87; freight, \$17.42.

J. M. Marsh drew cash for private use, \$60. (Student) drew cash for private use, \$50.

Received of P. J. McGuire his note at 90 ds., with interest, to balance October account.

Accepted Cobb, Bates & Yerxa's draft at 30 ds. for the amount of their invoice received this day.

NOVEMBER 22, 19—

Bought of Gray Bros., City, 60 ds., 3/10, 92 lb. turkey at 14¢; 56 lb. chicken at $12\frac{1}{2}$ ¢; 60 doz. S. F. eggs at 22¢.

Bought of Armour & Co., Chicago, net 30, 2/10, invoice amounting to \$112.20.

Purchased of Swift & Co., Chicago, net 60, 3/10, invoice amounting to \$168.30.

Purchased of M. S. Newton & Sons, Boston, net 30, 2/10, invoice amounting to \$34.62.

Bought merchandise from National Market Co., for cash, amounting to \$46.28.

The following sales slips have been handed in by the salesmen.

No. 1 Mrs. A. Waldron, 2 lb. sirloin at 16¢; 9½ lb. rib roast at 14¢; 15 lb. G. sugar at 6½¢; 1 bx. dried peaches, 10 lb., at 12¢; 1 can peas, 15¢; 1 bu. potatoes, 60¢.

No. 2 P. J. McGuire, 2 bbl. Baldwin apples at \$2.50; 10 bu. E. R. potatoes at 55¢; 24 doz. case eggs at 18¢; 20 hd. cabbage at 8¢; 42 lb. beef, sirloin, at 15¢; 18 lb. fresh fish at 12¢; 1 bbl. N. S. flour, \$5.50.

No. 3 Mrs. S. T. Worthen, 20 lb. G. sugar at 6½¢; 10 lb. lard at 12½¢; 12 S. F. eggs, 28¢; 1 bbl. apples, \$2.75; ½ bbl. pastry flour at \$6; 6½ lb. sirloin roast at 16¢; 1 bottle bluing, 10¢; 1 bx. stove polish, 12¢.

No. 4 A. B. Ryder, 1 bx. dried peaches, 10 lb., at 12¢; 12 S. F. eggs, 28¢; 15 lb. G. sugar at 6½¢; 9½ lb. turkey at 16¢; 1 bx. poultry dressing, 25¢; 1 qt. oysters, 35¢.

No. 5 C. H. Stratton, 2 bbl. N. S. flour at \$5.50; 1 bbl. pastry flour, \$5.75; 2 bbl. apples at \$2.50; 1 bx. oranges, \$4.25; 16 lb. sirloin steak at 15¢; 24 lb. sirloin roast at 14¢; 18 doz. S. F. eggs at 25¢; 1 bu. beans, \$3.

No. 6 Mrs. Wm. Hanson, 2 pkg. rolled oats, 25¢; 5 doz. case eggs at 22¢; 25 lb. G. sugar at 6½¢; 12 lb. rib roast at 14¢; 1 5-lb. can Java coffee, \$1.50; 1 can E. B. tea, 10 lb., at 50¢.

No. 7 Wm. Harper, 9 lb. chicken at 15¢; 4 lb. salt pork at 10¢; 12 S. F. eggs, 28¢; 12 oranges, 35¢; 1 lb. E. B. tea, 60¢; 15 lb. G. sugar at 6½¢.

No. 8 E. L. Corey, 2 lb. sirloin steak at 16¢; 5½ lb. veal roast at 18¢; 1 bx. dried prunes, 10 lb., at 15¢; 1 bbl. apples, \$2.75; 1 lb. chocolate, 40¢.

No. 9 T. B. Tucker, 25 doz. S. F. eggs at 24¢; 20 bu. E. R. potatoes at 50¢; 40 hd. lettuce at 2¢; 1 case Cream of Wheat, 36 pkg., at 12½¢; 42½ lb. beef, sirloin, at 15¢; 1 hf. cht. E. B. tea, 50 lb., at 60¢; 1 mat Java coffee, 75 lb., at 28¢.

No. 10 James B. Longley, 1 mat Rio coffee, 75 lb., at 15¢; 1 hf. cht. Japan tea, 50 lb., at 35¢; 2 gal. oysters at \$1.25; 1 tub butter, 40½ lb., at 22¢; 28 lb. fresh fish at 12¢; 12 doz. case eggs at 18¢.

No. 11 E. B. Woods, 1 qt. oysters, 40¢; 6 lb. pork loin at 12½¢; 10 lb. lard at 12½¢; 1 lamp, 65¢; 1 lb. chocolate, 40¢; 1 lb. baking powder, 50¢.

No. 12 Edward Austin, 8½ lb. corned beef at 12¢; 1 hd. cabbage, 10¢; 5 gal. K. oil at 13¢; 12 S. F. eggs, 28¢; 12 oranges, 35¢; 1 5-lb. can Java coffee, \$1.50.

Cash sales for the day, per cash tickets, \$422.16.

Received cash as follows: Mrs. S. T. Worthen, balance of October account; Mrs. Wm. Hanson, \$25, to apply on account; Wm. Harper, to balance October account; E. Austin, to balance October account; T. B. Tucker, \$50, to apply on account.

Discounted at the City Bank G. M. Kelly's note, dated Sept. 19, at 4 months, with interest. Face of note, \$622.85; interest, \$12.46; discount, \$6.14; net proceeds placed to credit.

Deposited \$400.

Paid cash as follows: (Checks) Hackett Bros., invoice of Nov. 8, less 2%; S. M. Crockett & Co., invoice of Nov. 8, less 3%; Swift & Co., invoice of Nov. 8, less 1%. (Currency) board of horses, \$10; railroad mileage ticket, 500 miles, \$10; salaries, Canfield, \$12; Stuart, \$12; Holt, \$15; Carter, \$15; freight, \$1.45; purchases from National Market Co., \$46.28.

Gave S. S. Pierce & Co. our note at 60 ds., with interest, to pay invoices of Oct. 29 and Nov. 15, less 3%.

NOVEMBER 29, 19—

Purchased of Cobb, Bates & Yerxa, acceptance 30 ds., merchandise invoiced at \$182.77.

Bought of Armour & Co., Chicago, net 30, 2/10, invoice amounting to \$83.49.

Purchased of Swift & Co., Chicago, net 30, 2/10, invoice amounting to \$87.96.

Bought of M. S. Newton & Sons, Boston, net 30, 2/10, merchandise invoiced at \$28.42.

Bought of S. S. Pierce & Co., Boston, net 60, 3/10, invoice amounting to \$63.14.

Purchased produce from National Market Co., for cash, \$62.46.

The following sales slips have been handed in by the salesmen.

No. 1 Mrs. S. T. Worthen, 2½ lb. sirloin steak at 16¢; 1 lb. Ceylon tea, 80¢; 12 oranges, 35¢; 1 broom, 30¢; 2 lb. raisins at 15¢.

No. 2 A. B. Ryder, 1 bx. cigars, \$5.50; 1 bbl. pastry flour, \$6; 12 oranges, 35¢; 8½ lb. lamb roast at 16¢; 15 lb. G. sugar at 6½¢; 12 S. F. eggs, 28¢.

No. 3 C. H. Stratton, 42½ lb. butter at 24¢; 64 lb. turkey at 15¢; 2 gal. oysters at \$1.20; 1 bbl. G. sugar, 217 lb., at 6¢; 1 case Ceylon tea, 50 lb., at 52¢; 22 doz. S. F. eggs at 26¢.

No. 4 Edward Austin, 9½ lb. turkey at 16¢; ½ bbl. pastry flour at \$6; 12 bananas, 25¢; 1 pkg. gelatine, 15¢; 1 bx. honey, 22¢.

No. 5 E. L. Corey, 12½ lb. turkey at 16¢; 1 qt. oysters, 35¢; 1 bx. cigars, \$3.50; 1 can peas, 15¢; ¼ gr. matches, 25¢; 6 lb. loaf sugar at 8¢.

No. 6 P. J. McGuire, 200 cigars at \$55 per M.; 500 cigars at \$35 per M.; 42 lb. lamb at 12¢; 1 bbl. G. sugar, 231 lb., at 6¢; 22 lb. beef, sirloin, at 15¢; 1 mat Java coffee, 75 lb., at 28¢.

No. 7 Mrs. A. Waldron, 1 bbl. pastry flour, \$6; 20 lb. tub butter at 25¢; 6½ lb. veal, roast, at 18¢; 1 can peas, 15¢; ½ lb. pepper at 80¢; 2 pkg. shredded wheat, 25¢.

No. 8 Mrs. Fred Gilford, 8½ lb. sirloin roast at 16¢; 1 bbl. pastry flour, \$6; 4 lb. dried peaches at 12¢; 12 S. F. eggs, 28¢; 1 can peas, 15¢.

No. 9 Chas. A. Dodge, ½ bbl. pastry flour at \$6; 8½ lb. sirloin roast at 16¢; 1 lb. cocoa, 40¢; 1 5-lb. can Java coffee, \$1.50; 1 qt. pickles, 15¢; 2 lb. cheese at 16¢; 5 lb. print butter at 30¢.

No. 10 T. B. Tucker, 1 hf. cht. E. B. tea, 60 lb., at 50¢; 1 gal. olive oil, \$2.50; 22 lb. fresh fish at 12¢; 48 lb. beef, sirloin, at 15¢; 1 doz. T. ketchup, \$2; 1 bbl. G. sugar, 226 lb., at 6¢; 10 bu. E. R. potatoes at 55¢; 1 bbl. pastry flour, \$6; 103 lb. winter squash at 2¢.

No. 11 James B. Longley, 26 lb. lobster at 16¢; 3 gal. oysters at \$1.25; 500 oysters, New York count, at 60¢ per C.; 52 lb. turkey at 15¢; 1 gal. olive oil, \$2.50; 22 lb. sirloin steak at 15¢.

No. 12 Mrs. Wm. Hanson, 1 bbl. N. S. flour, \$5.75; 4 doz. case eggs at 20¢; 23½ lb. turkey at 15¢; 9½ lb. fresh fish at 12¢; 1 case corn, 36 cans, at 8¢; 1 case tomatoes, 36 cans, at 8¢.

Cash sales for the day, per cash tickets, \$436.98.

Received cash as follows: Mrs. A. Waldron, to balance October account; Mrs. Wm. Hanson, to balance October account; J. B. Longley, on account, \$25.

Sold one horse for \$90.

Had C. H. Stratton's note of the 8th inst. discounted. Face of note, \$268.75; discount, \$1.75; net proceeds placed to credit.

Deposited \$350.

Paid cash as follows: (Checks) Adams & Hackland, on account, \$200; Cavanaugh Bros., for bay horse to replace the one sold this day, \$125; M. S. Newton & Sons, bills of Nov. 8 and Nov. 15, less 1%; Armour & Co., invoice of Nov. 15, less 2%; Swift & Co., bill of Nov. 15, less 3%. (Currency) purchases from Nat. Market Co., \$62.46; freight, \$4.27; board of horses, \$10; shoeing horse, \$1.25; salaries, Canfield, \$12; Stuart, \$12; Carter, \$15; Holt, \$15.

J. M. Marsh drew cash for private use, \$25. (Student) drew cash for private use, \$25.

Close your cash book, purchases journal, and abstract sales book.

Following is a model form for the closing of the credit side of your cash book.

[illegible]

Posting. *First.* Post from your statement sheets, from the debit side of the cash book, and from the journal to the card ledger, as in October.

Second. Post the total of the "Sales on Account" column of the Abstract Sales Book to the debit of Accounts Receivable in the general ledger. Post the total of the "Accounts Receivable" column in the cash book to the credit of Accounts Receivable account in the general ledger. Post the total of the credits to customers in the journal to the credit of Accounts Receivable.

Third. Post the amount of the "Monthly Sales" column of the Abstract Sales Book to the credit of Sales in your general ledger.

Fourth. Post the footing of the "Amount of Invoice" column in the purchases journal to the debit side of Purchases Account and to the credit side of Accounts Payable in the general ledger, and post each separate invoice, except cash purchases, to the credit of the proper account in the purchases ledger. Cash purchase items may be checked off both in the purchases journal and in the cash book without posting, unless your teacher gives different instructions.

Fifth. Post the total of the "Accounts Payable" column in the cash book to the debit of Accounts Payable in the general ledger. Post the charges to creditors in the journal to the debit of proper accounts in the purchases ledger and the total of such charges to the debit of Accounts Payable in the general ledger.

Sixth. Post the total of the "Discount on Purchases" column in the cash book to the credit of that account in the general ledger and the total of "Discount on Sales" to the debit of that account in the same ledger.

Seventh. Post all other items in the journal and cash book as you have done hitherto in double entry sets.

The inventory of unsold merchandise amounts to \$4595.21. Horses, wagon, and harnesses are valued at \$500; furniture and fixtures valued at \$112.50; unexpired insurance, \$32.08.

Take a trial balance of the general ledger. Make a schedule of the balances of the accounts in your card ledger and compare the total of such balances with the balance of the Accounts Receivable account in the general ledger. If they do not agree find your mistake.

Make a schedule of the balances in your purchases ledger and compare the total of such balances with the balance of the Accounts Payable account in your general ledger. If they do not agree find your mistake.

Make a statement of losses and gains and a statement of resources and liabilities (see forms, pages 184 and 185).

Close the general ledger by making closing entries in the journal and posting such entries from that book.

Hand your books and vouchers to your teacher for inspection

WHITE AND MARSH

PROFIT AND LOSS STATEMENT, NOVEMBER 1-30, 19—

Sales for Month				\$4516	32
Deduct:					
Cost of Goods Sold:					
Inventory November 1, 19—	\$3875	24			
Purchases	3216	28			
Freight-In		25	17		
Total Cost of Goods	\$7116	69			
Less:					
Inventory November 30, 19—	3005	65		4111	04
Gross Profit on Sales				\$405	28
Deduct:					
Operating Expenses:					
Salaries	\$226				
Insurance Cost	\$35.				
Less: Unexpired Insurance	32.08		2	92	
Stable Expense		40			
Office Supplies		5			
Miscellaneous Expenses		7	29		
Depreciation on:					
Horses and Wagons		50			
Furniture and Fixtures		12	50	343	71
Net Profit from Operations				\$61	57
Add:					
Other Income					
Discount on Purchases	\$175	12			
Interest on Notes Receivable		14	28	\$189	40
Total Income				\$250	97
Deduct:					
Other Charges					
Discount on Sales				\$15	07
Net Profit:				\$235	90
Distributed as follows:					
A. B. White one-half	\$117	95			
C. D. Marsh one-half		117	95	235	90

EXERCISES

NOTE. — The entries, statements, etc., called for in these exercises should be made on loose journal paper.

1 Determine the percentage of loss for the month of October on the capital invested.

The percentage on capital invested is found by comparing the net gain or net loss with the net capital.

2 Determine the percentage of gross gain from sales in the month of November as shown by your statement of losses and gains.

The percentage of gross gains from sales is found by dividing the amount of the gross gain by the amount of the sales; and the percentage of net gain is found by dividing the amount of the net gain by the amount of the sales.

3 Determine the percentage of net gain for November, as shown by your statement of losses and gains.

4 Determine the percentage of net gain for November on the capital invested, as shown by your statement of resources and liabilities.

WHITE AND MARSH

BALANCE SHEET, NOVEMBER 30, 19—

ASSETS			
Current Assets:			
Cash		\$984 06	
Notes Receivable		215 98	
Accounts Receivable		2236 69	
Merchandise Inventory		3005 65	\$6442 38
Fixed Assets:			
Horses and Wagons		\$450	
Furniture and Fixtures		125	575
Expense Items Paid in Advance:			
Insurance Unexpired			32 08
Total Assets			\$7049 46
LIABILITIES AND CAPITAL			
Current Liabilities:			
Notes Payable		\$529 25	
Accounts Payable		798 75	
Total Liabilities			\$1328
Capital:			
A. B. White Investment	\$2742.78		
$\frac{1}{2}$ net profit	117.95	2860 73	
C. D. Marsh Investment	2742.78		
$\frac{1}{2}$ net profit	117.95	2860 73	5721 46
Total Liabilities and Capital			\$7049 46

5 Determine the percentage for running the business for the month of November, as shown by your statement of losses and gains.

6 H. C. Bowen has been conducting a retail dry goods business and keeping his books by single-entry. His present worth at the beginning of the year, as shown by his books, was \$5826.13, and his present resources and liabilities at the end of the year are as follows:

Resources: Merchandise inventory, \$4783.24; Furniture and fixtures, \$450; Motor delivery wagon, \$1500; Cash as per cash register, \$36.46; Cash in bank as per check book, \$1242.81; Accounts receivable as per customers' ledger, \$375.52; Unexpired insurance, \$39.25.

Liabilities: Accounts payable as per purchases ledger, \$1275; Note payable as per notes payable book, \$300.

Determine (1) Bowen's present worth; (2) the net gain or net loss for the year; (3) the percentage of gain or loss for the year on the capital investment.

7 Show the journal entry you would make if you were employed by Mr. Bowen to change his books from single entry to double entry, and explain the steps you would take in making the change.

8 T. H. O'Meara is doing a retail business and has been keeping his books by single entry. He engages you as bookkeeper and instructs you to open and keep a set of double entry books. Suppose, after you have opened the new books, you should discover that Jones & Co. hold Mr. O'Meara's note for \$250, and that it had not been included in the list of resources and liabilities. Show the entry or entries that would be made for this item, to correct the omission.

9 You have changed a set of books from single entry to double entry, and the proprietor's investment account shows his present worth to be \$7836.51. Suppose a customer's account,

amounting to \$28.75, which the proprietor had considered worthless, and which was not included in the new books, is paid in full in cash. Show the entry or entries you would make for this item.

10 J. M. Irwin is conducting a retail grocery and meat business in two adjoining stores. T. A. Coleman, desiring to purchase a going business, offers Irwin \$3500 cash for the good will, stock in trade, and fixtures of the grocery part of the business, and the lease rights of the grocery store. Assume that Mr. Irwin has accepted the proposition, that a bill of sale has been executed, and that the cash has been paid. All bills for the grocery stock have been paid by Irwin, and he will collect all bills due him for groceries.

If the books are kept by single entry, show the entry or entries on Irwin's books for the above transaction. Show the same on Coleman's books.

11 Assume that Coleman will keep his books by double entry. Show the proper entry or entries for the transaction in No. 10, estimating the good will at \$500, the fixtures at \$300, and the stock of groceries at \$2700.

12 Eden & Kline are conducting a retail business, and their books on Dec. 31, 19—, showed that their sales for the year were \$12,687.92; their purchases, \$9454.45; and stock on hand at beginning of year, \$7675.86. The following accounts showed debit balances: Freight, \$64.32; Salaries, \$1575; Expense, \$254.93; Furniture and Fixtures, \$850; Horses and Wagons, \$425; Notes Receivable, \$246.39. An abstract of the customers' ledger showed amounts due, \$2916.57; cash on hand and in bank, \$891.27. The following accounts showed credit balances: F. R. Eden, \$5000; J. B. Kline, \$5000; Notes Payable, \$1227.46; Accounts Payable, \$314.39; Interest, \$6.74; Mdse. Discount, \$117.28.

The inventories were as follows: Merchandise, \$7886.25; Horses and Wagons, \$375; Furniture and Fixtures, \$750; Insurance, unexpired, \$54.65; Interest accrued on notes payable, \$11.04.

From the above data make a trial balance, a statement of losses and gains, and a statement of resources and liabilities. Show the percentages of gross gain and net gain from the business, and the percentage of net gain on the capital.

13 Assume that Eden & Kline decided to keep their books by single entry after Dec. 31, 19—, running personal accounts only, and that the ledger has been closed as of that date. Show the journal entry you would make to change their books from double- to single entry, using the data on their statement of resources and liabilities (No. 12).

Since only personal accounts are to be run (kept), it will be necessary for you to make such an entry as will, when posted, close all other accounts. Make an entry as if you were going to close all of the accounts, then check the personal accounts; the remaining items, when posted, would close the impersonal accounts, and the ledger would then be in single entry form.

14 Suppose that Eden & Kline's business year ended June 30, instead of Dec. 31, and that they decided to change their books on the former date, without taking inventories, or determining the condition of the business. Show the journal entry you would make to effect the change.

While it is necessary to know the actual resources and liabilities of the business to change from single to double entry, only the open accounts need be considered in changing from double- to single entry. A trial balance should be taken which will serve as the basis of the journal entry.

The following exercises are given for practice in schools which have adding machines:

15 Determine from the daily sales slips the number of eggs sold on account in October by listing the quantities in units (single articles); the number sold on account in November; show the quantity in dozens below the footing of each list.

16 Recapitulate the daily sales and prove your abstract sales sheet for October by listing first, your charge sales for that month, and show sub-totals; and second, your daily cash sales, and show total sales for each day.

17 Prove your daily charge postings to customers' accounts for November by listing the charge items to these accounts and comparing the footing of each day's postings with the amount of the charge sales, or sub-totals, for each day on the recapitulation list.

18 Prove your monthly statements for October by listing your charge postings for that month, showing the amount of each statement as a sub-total, and the total of the statements.

QUESTIONS

1 In what respect does a single entry ledger differ from the ledger of a business in which the books are kept by double entry?

2 How would you keep a record of cash transactions, and how would you determine the amount of notes receivable and the amount of notes payable at any stated time?

3 How would you keep a record of your merchandise?

4 Is it possible to show as complete a record of the business by single entry as by double entry?

5 What does the single entry journal contain?

6 Describe the sales slip, and explain its use in the retail grocery business. Why are sales slips written in duplicate?

7 Describe the method of making cash sales and of recording the amounts of such sales.

8 To what books are the cash sales of the day carried?

9 Explain the abstract sales sheet and the abstract sales book.

10 Of what is the purchases journal an abstract? What will the footing of its Amount of Invoice column show?

11 What will the total footing of the abstract sales book show at any time?

12 Where are the items of the sales slips carried, and when should this be done?

13 What should the customer's monthly statement contain, and what should his account in the ledger contain?

14 What advantages has the card ledger over the ordinary book form of ledger?

15 How should customers' statements be posted to the card ledger?

16 What is the first step you would take preparatory to changing a set of books from single to double entry?

17 What additional steps would you take?

18 How do you obtain the necessary balances of the additional ledger accounts?

19 What additional accounts must be opened in the ledger when changing from single to double entry?

20 Suppose a resource or a liability item had been omitted in making the statement of resources and liabilities and was not discovered until after the books had been changed to double entry. How would you correct the omission?

21 Name an account which will always be affected by the correction of such an omission.

22 How would you change a set of books from double entry to single entry?

23 Could the same books be used after the change had been made? Explain.

24 Which method of bookkeeping do you prefer, single or double entry, for an ordinary retail business?

25 Under what conditions would you prefer the other method?

COMMISSION, SHIPPING, AND MERCHANDISING BUSINESS

A large variety of produce and manufactured products are shipped to trade centers, and there sold to the wholesale and retail trades through the medium of correspondents who are known as Commission Merchants.

A **Commission Merchant** is a person engaged in receiving and selling goods belonging to others, for a compensation called a commission, which is generally a certain per cent on the sales. The property is generally sold at the current market rates. Sometimes the shipper leaves the matter of price and terms to the judgment of the commission merchant. This is generally done in the produce commission business, and in other branches of the commission business which deal with perishable property; but in case of manufactured products, the shipper usually limits the price below which the goods must not be sold, and also establishes the terms of credit.

Some commission merchants do both a shipping and a commission business, and a few do a general merchandising business in connection with the shipping and commission business.

Shipments and Consignments. — When property is shipped to be sold, it is called a "Shipment," and the party who ships it is called the "Consignor." When property is received to be sold, it is called a "Consignment," and the party who receives the property is called the "Consignee." The consignor generally sends the consignee notice of a shipment in the form of a letter of advice, or a consignment invoice, and a bill of lading.

Shipments Account. — The Shipments account is an account with the goods (merchandise) which we have shipped to others to be sold on commission. The debit side represents the total cost of all goods shipped, and the credit side shows the proceeds of the goods which have been sold for us, and for which we have received an account sales. When we have received accounts sales for all goods shipped, the difference between the debit and credit sides of the Shipments account will be either a gain or a loss. If all our shipments have not been closed out and accounted for, the value of the unsold shipments is a resource inventory. This includes the original cost of the goods shipped, as well as any additional cost, such as freight, insurance, and drayage. We consider any unsold goods which we have shipped to be sold on our account and risk as worth what we have put into them.

Consignments Account. — The credit side of the Consignments account represents the total sales from all consignments, and the debit side includes all costs, charges, and net proceeds. Since the net proceeds on each consignment are determined by taking the difference between the sum of the costs and charges (including advances) and the amount of the sales, it will be seen that when all consignments have been sold out and accounts sales rendered, the Consignments account must balance.

If the account has a debit balance, it signifies that the costs and advances which have been made upon open consignments are greater than the sales from these consignments. In such a case the difference is a resource or asset, since it is the amount due from the consignors.

If the Consignments account is larger on the credit side, it indicates that the total of the sales from consignments for which you have not rendered accounts sales is greater than the costs and any advances which you have made. This difference would be due the consignors, and therefore is a liability.

It is clear, then, that if the Consignments account does not balance, it will show either a resource or a liability, and will appear on one or the other side of the Statement of Resources and Liabilities.

Although the student will receive special instructions in regard to the entries for the various transactions as they occur, it will be well for him to bear in mind continually the following general rules, which govern all entries for shipment and consignment accounts.

Rule for Shipments

SHIPMENTS ACCOUNT is debited for the total cost of the goods shipped, and is credited for the net proceeds.

Rule for Consignments

CONSIGNMENTS ACCOUNT is debited for all costs, charges, and net proceeds returned to the consignor, and is credited for all sales.

Books Kept. — The books kept in a shipping and commission business depend upon the kind of goods handled and the magnitude of the business. The following set illustrates a method of bookkeeping adapted to the requirements of the produce commission business.

The books to be kept in this work are sales book, account sales register, shipment ledger, cash book, purchases journal, journal, general ledger, and loose-leaf consignment ledger. The forms of the purchases journal and the journal will be the same as those you have kept in the Introductory Course. As but few notes appear in these transactions, the notes receivable and notes payable books will be dispensed with.

It is the custom of most commission houses to enter a description of each lot of goods received in a book called the receiving book, which is usually a book about six inches wide with rulings like those of an ordinary daybook. The entries in this book are made in pencil, and the book is kept by the clerk in the store or warehouse. The receiving book is left in the office at the close of the day, or at other convenient times, so that the bookkeeper can make the necessary entries from it. Commission houses generally use two sets of receiving books, so that those which are in use by the receiving clerk on one day will be in the office on the next.

An account is opened with each lot of goods under an appropriate name in a book called the consignment ledger. Each account contains on its credit side all sales made from the lot of which it is the record, and on its debit side all charges against this lot. When the lot is all sold, an account sales is rendered to the consignor.

By the use of the loose-leaf consignment ledger, a description of which follows, the receiving book, consignment ledger, and account sales are combined in one, and the bookkeeping is greatly simplified.

Each consignment should be accompanied by a letter of advice, containing the list of goods, and this letter should be compared with the goods when they are received, and if there is any shortage, the consignor should be notified at once. The receiving clerk generally enters the goods on a blotter as they are unloaded from the trucks, and from the blotter the bookkeeper transfers the items to a loose leaf of the consignment ledger. (See model, page 190.)

When a consignment is received, the lot number given it is stenciled or marked upon each package, if the package is not already so marked, and the goods are thereafter known, while in the store or warehouse, and when sales are made from them, by that number. Goods which are not in packages, and which are of such a nature that a lot number cannot conveniently be put upon them, are placed in stalls or apart from other goods, and a placard bearing the lot number is posted up over them. A knowledge of the sources from which the commission merchant obtains his consigned goods is valuable to him, and he desires to conceal it from his competitors and customers. It is partly for this reason that he uses lot numbers or arbitrary marks to identify the goods while they are in his store or warehouse.

LOOSE-LEAF CONSIGNMENT LEDGER

SALE OF MERCHANDISE FOR ACCOUNT OF <u>E. Mason & Co.</u>		M-1	
BY E. H. REED & COMPANY,		<u>Milford.</u> (Your state.)	
COMMISSION MERCHANTS,			
INVOICE NO. <u>1</u>		(Your place here)	
INVOICE DATE <u>July 12, '10</u>		(Write your own name here.)	
MARANER.			

DATE	Folio.	RECEIVED.	FREIGHT, CARTAGE, ETC.	ADVANCES.	SALES.	COMMISSION.	CHARGES.	NET PROCEEDS.
July 16		12 tubs Butter, 10 css. Eggs 5 boxes Cheese						
16 C-3								4 20
16 1		5 css. Eggs, 120 doz. 2 tubs Butter 120#						55 20
16 1		2 boxes Cheese 110# 10 tubs "						160 50
17 2 3		" " 165# 5 css. Eggs 120 doz.						51 15
18								
								13 34
								2 67
								246 64
								266 85
								266 85

The Consignment Ledger. — In this business, when goods are received to be sold on commission, the consignment will be entered on a loose leaf of the consignment ledger, as shown in the illustration on this page. The consignment ledger is a subsidiary ledger.

In the small square at the upper right-hand corner of this loose leaf is written the stencil, or private mark, of this consignment, and every package in the consignment will be marked with the same stencil. These stencil marks are arbitrary, and any letter, number, or symbol may be used. In this business the initial letter of the consignor and the number of his consignment will be used as a stencil mark. The loose leaf is now fastened to its cover and becomes a part of the consignment ledger. The amount of freight as shown by the freight bill, which will accompany the goods, should be entered in the left-hand or debit column of the loose leaf opposite *Freight*. This may be done at the time the goods are received, or later, when the amount is taken from the cash book. As the goods are sold, the items are entered in the space under *Sales* on the loose leaf, and the amounts carried to the right-hand or credit column. These amounts should be taken from the sales book, where they will be found in the special column for consignments. The contents of this column should be carried to the consignment ledger at the close of each day.

When all the goods which make up the consignment have been sold, the right-hand or credit column is footed and the amount placed at the bottom of the loose leaf.

If any sight drafts have been paid or time drafts accepted on account of this consignment, the amount should be placed opposite *Advances* in the debit column of the loose leaf. Such amounts will be found in the consignment column on the credit side of the cash book. Everything in this column should be carried to the debit side of the consignment ledger at the close of each day. The commission should now be calculated, and also any charges which may be due for cartage, insurance, storage, or other items of expense. In this business these items, except commission, will be combined under the head of "Charges." Enter the amount of commission and of charges in the left-hand or debit column of the loose leaf. The difference between the footing of the right-hand column and the sum of the items in the left-hand column of the loose leaf will show the net proceeds or amount due the consignor, and will, of course, balance the two columns of the loose leaf.

All writing upon the consignment ledger should be done in copying ink, for the leaf is now removed from the ledger, and a copy of it taken in the impression account sales book, the leaf itself being sent to the consignor with a check or draft for the amount of his net proceeds, unless the net proceeds are placed to his credit. In the latter case, the account sales should be sent without the remittance, and after *Net proceeds* the words *Placed to credit* should be written. It is important that a good copy of the account sales be taken in the impression book, for should any dispute arise this impression book will be accepted in court as your book of original entry, and many houses post charges, commission, and net proceeds directly from this book to their respective accounts in the ledger.

Shipment Ledger. — When goods are sent to other persons to be sold on commission, the date of shipment is written in the shipment ledger, with the name and address of the consignee, and the number of the shipment; then follows a description of the merchandise shipped, with the price, which, in a regular shipping business, should be the cost of the goods. (See form of shipment ledger, page 192.) The shipment ledger is a subsidiary ledger.

In the debit column, under *Ledger Accounts*, should be written the value of the merchandise as shown in the Merchandise column, and to this column is also posted, from the cash book, all expenses incurred on account of this shipment.

When an account sales of a shipment is received, the shipment is credited for the net proceeds from the cash book or journal, and since this disposes of the shipment, the ledger part of it is closed by writing in the usual way the amount of gain or loss on the smaller side of the account, and ruling and footing. (See models, A. M. Archer and D. W. Parks & Co., in the illustration on page 192.)

When the books are posted preparatory to the taking of a trial balance, the total of the Merchandise column in the shipment ledger is carried to the debit of Shipments and to the credit of Purchases in the general ledger. (See form of shipment ledger.)

The shipment ledger is a combined journal or sales book and ledger, the portion to the left of the Ledger Accounts columns partaking of the nature of a journal, and the part to the right of the Mdse. column being the ledger proper. When a shipment is made and entered in the Shipment ledger, it is equivalent to debiting Shipments and crediting Purchases in the journal and then posting the entries to the ledger. Each account in the shipment ledger is closed the same as in an ordinary ledger.

Controlling Accounts and Subsidiary Ledgers. (See page 173.) — This method of handling ledgers is illustrated in this set by placing all shipment accounts in the shipment ledger, all consignment accounts in the consignment ledger, and all the remaining accounts in the general

SHIPMENT LEDGER

INDEX, CHECK, AND FOLIO	JAN. 2, 19—	MDSE.	LEDGER ACCOUNTS						
			Debits		Credits		Folio and Explanation	Date	
3/2	A. M. Archer, #1, Brooklyn, N. Y.								
	100 bbl. Apples, N. S., 2.80	280	712						
	30 tubs Butter, 1800 lb., 20¢	360			785 90	C. 4	Jan.	9	
	20 cs. Eggs, S. F., 480 doz., 15¢	72	73 90			Gain		9	
	Via National Despatch,								
			785 90		785 90				
	4								
	F. W. Smith Com. Co., #1, Boston.								
	250 bbl. Apples, Baldwin, 2.50	625	733						
	30 cs. Eggs, S. F., 720 doz., 15¢	108							
	Via National Despatch,								
	5								
D. W. Parks & Co., #4, Pittsburg, Pa.									
2400 bu. Potatoes, 35¢	912	961				C. 5	Jan.	5	
20 bbl. Apples, Baldwin, 2.45	49	17 50			942 60	C. 4		16	
Via Interstate Line,					35 90	Loss		16	
			978 50		978 50				
	5								
Jas. F. Brennam, #1, New York.									
50 tubs Butter, 3050 lb., 20¢	610	748 60							
12 bx. Cheese, 1260 lb., 11¢	138 60								
Via Interstate Line,									
Shipments, Dr.									
Purchases, Cr.	3154 60								

ledger. The accounts in the subsidiary ledgers are said to underlie the controlling accounts which represent them in the general ledger. In the general ledger there will be opened a *Shipments* account, representing or controlling the shipment ledger, and a *Consignments* account, representing or controlling the consignments ledger. Note that all debits and credits of shipments and consignments when originally entered in the cash book, sales book, account sales register, and the journal portion of the shipment ledger, are placed in separate columns so that they may be footed at the end of the month and posted to the Shipments and Consignments accounts in the general ledger.

When the trial balance is taken, the general ledger will balance by itself. If it is desired, an abstract may be taken of the shipment and consignment ledgers, and it will be seen that, if the work is correct, the balance of the shipment ledger will agree with the balance of the Shipments account in the general ledger, while the balance of the consignment ledger will be the same as the balance of the Consignments account in the general ledger.

Sales Book. — The sales book contains a special column for sales made from consignments, and an Invoice extension column, which should contain the items and the total of the bill given the purchaser, who, as a rule, does not know whether the goods are purchased from a consignment or from the stock of the business. (See model, page 193.)

SALES BOOK.

CONST. LOT No.	L. F.		INVOICE EXTENSION.	SALES FROM CONSIGNMENTS.	SALES FROM MDSK.
		<i>Jan. 2, 19-</i>			
		<i>W. R. Bancroft, Net 30 ds. Easton.</i>			
K-1		<i>60 doz. C. Tomatoes</i>	<i>90¢ 54</i>		
K-1		<i>50 " " Corn</i>	<i>95¢ 47 50</i>	<i>101 50</i>	
		<i>20 bbl. 3x Flour</i>	<i>4.50 90</i>		<i>90</i>
			<i>191 50</i>		
		<i>3</i>			
		<i>✓ E. M. Lacy, Cash 342 Colerain Ave.</i>			
		<i>40 bbl. 3x Flour</i>	<i>4.50 180</i>		<i>180</i>
B-2		<i>20 tubs Butter 1203 lbs.</i>	<i>25¢ 300 75</i>	<i>300 75</i>	
			<i>480 75</i>		
		<i>"</i>			
		<i>Geo. Carson & Bro. Net 30 ds. Westboro.</i>			
		<i>10 bbl. 3x Flour</i>	<i>4.50 45</i>		<i>45</i>
K-1		<i>20 doz. C. Tomatoes</i>	<i>90¢ 18</i>		
K-1		<i>10 " " Corn</i>	<i>95¢ 9 50</i>		
B-2		<i>5 tubs Butter 305 lbs.</i>	<i>25¢ 76 25</i>	<i>103 75</i>	
			<i>148 75</i>		
		<i>"</i>			
		<i>National Market Co. Cash 82 Water St.</i>			
B-2		<i>10 tubs Butter 615 lbs.</i>	<i>25¢ 153 75</i>		
M-1		<i>50 bu. Potatoes</i>	<i>40¢ 20</i>		
M-1		<i>10. bbl. Apples</i>	<i>2.75 27 50</i>		
			<i>201 25</i>		
			<i>2% 4 03</i>	<i>197 22</i>	
		<i>Consignments Cr.</i>		<i>703 22</i>	
		<i>Sales, Cr.</i>			<i>31 5</i>

ACCOUNT SALES

DATE		No.	CONSIGNOR	ADDRESS	TOTAL SALES	FREIGHT AND CARTAGE	COMMISSION	CHARGES
Jan.	10	K-1	J. M. Kendall	Rochester, N. Y.	203	10	10 15	1 75
	24	J-2	E. M. Jackson	Elmira, N. Y.	774	64 60	38 70	4
	26	M-1	C. D. Martin	Utica, N. Y.	582 60	21 40	29 13	2 50
	30	K-2	J. M. Kendall	Rochester, N. Y.	225	7 50	11 25	1 50
							89 23	
								9 75

When sales are entered in the sales book, the stencil mark of the consignment should be written opposite those items which are taken from consignments, and the amounts should be placed in the Consignments column, as well as in the Invoice Extension column. The amounts of such items as are sold from the stock of the business should be placed in the Sales column.

When the sales book is posted, the total of Consignments column should be carried to the credit of Consignments (controlling account) in the general ledger, and the total of the Sales Cr. column to the credit of Sales in the general ledger.

In this month's work cash sales will not be posted to the debit of the person making the purchase, as in previous work, and then posted back to his credit from the cash book, but such sales will be checked off in the sales book and also in the cash book, and not posted to the personal account from either book. This method of handling sales for cash is used where there is no special desire to keep a record of the amount of business transacted with each customer, and it will be seen that it saves a considerable amount of posting where cash sales are numerous. (See E. M. Lacy entries in form of sales book, and form of cash book, pages 193 and 196-197.)

Account Sales Register. — The account sales register is kept for convenience in posting commission and charges, and contains columns for the date, stencil mark of the consignment, name and address of the consignor, amount of gross sales, freight, commission, charges, goods returned, total charges, advances, net proceeds, cash remitted, amount to be posted, folio, name of account.

If accounts are kept with insurance, cartage, storage, etc., of course columns would be added for these accounts, as well as for commission and charges. In this month's work all these accounts are included under the general head *Charges*.

When an account sales is rendered, the necessary information should also be entered in the account sales register; and at the time of the general posting before a trial balance is taken, the footings of Commission and Charges columns should be carried to the Amount to be Posted column, and the names *Commission* and *Charges* written in the Name of Account column opposite these amounts in the account sales register. The total of Amount to be Posted column should be posted to the debit of Consignments, and the items which make up this total posted in the general ledger to the credit of the accounts to which they belong.

If an impression of the loose leaf of the consignment ledger is taken when an account sales is rendered, the account sales register may be dispensed with, as the commission charges, net proceeds, and total to consignments may be posted directly from the impression book.

Letter Impression Book. — In most business houses it is the custom to keep a copy of every written order, letter, postal card, account sales, deposit slip, etc., which leaves the house in the course of its business, as it is often of great importance that ready reference may be made to copies of such papers. This copy is obtained by means of a roller copying machine,

REGISTER

PACKAGES RETURNED	TOTAL CHARGES	ADVANCES	NET PROCEEDS	CHECK OR DRAFT	AMOUNT TO BE POSTED	L.F.	NAME OF ACCOUNT
5 bx.	21 90		181 10	181 10			
	107 30	300	366 70		366 70	74	E. M. Jackson, Cr.
	53 03	200	329 57	329 57			
	20 25		204 75	204 75			
					89 23	58	Commission, Cr.
					9 75	59	Charges, Cr.
					465 68	47	Consignments, Dr.

or of a letter impression book, which is made up of leaves of tissue paper, and a copy may be taken in this book from either a pen-written or a type-written sheet. If proper ink is used several copies may be taken from the same original.

When letters or invoices are copied in the letter impression book, they should be indexed at once for ready reference. (See form of letter impression book, page 198, showing the proper indexing.) When copied on the machine, the tissue copy is filed with the original communication.

Indexing. — It is important that all ledgers, as well as letter impression books, be properly indexed.

The vowel index shown in the model letter impression book is an excellent method of indexing, when the index is a part of the book itself, but the ledger index is generally a separate book, of which there are several labor-saving varieties on the market.

The card form of index is another and popular method of indexing accounts, where the number of accounts is large. A card is used for each account, and it may contain the name of the account, the number, address, ledger page, terms, etc. The cards are kept in trays in a cabinet, and are arranged in alphabetic or numerical order, with proper guide cards showing the important divisions. The advantages of the card index are similar to those of the card ledger, explained in the Retail Grocery Business.

Some bookkeepers, before posting a book, take the index, and from it page each item in the book from which posting is to be done, by writing in the folio column the page of the account in the ledger. After all the items to be posted have been paged, then each amount is carried to the ledger page indicated, and a check mark (✓) is placed next to the folio figures. If the ledger contains a large number of accounts, this method of posting will save time and also prevent errors, as the check mark is a double proof that the posting has been done. In actual practice every good bookkeeper will soon memorize the pages of all his principal ledger accounts, and not be obliged to refer constantly to his index.

Cash Book. — The cash book used in this set contains on the debit side columns for Net Receipts, Discount on Sales, Sundry Credits, and Shipments Cr. and on the credit side columns for Net Payments, Discount on Purchases, Sundry Debits, Shipments Dr., and Consignments Dr. (See form of cash book, pages 196 and 197.)

The balance of cash at any time may be found by taking the difference between the Net Receipts and the Net Payments columns.

Attention is called to the self-balancing feature of each side of the cash book, making it a cash journal composed of equal debits and credits. On the debit side, the footing of the Net

CASH RECEIPTS

DATE	L.F.	ACCOUNTS CR.	EXPLANATIONS	NET RECEIPTS	DISCOUNT ON SALES	SUNDRY CR.	SHIPMENTS CR.
19—							
Jan.	1	W. H. Stevens	investment	3500		3500	
	2	✓ Sales	cash sale	480 75		480 75	
	5	Notes Receivable	A. Barnes note	250		250	
	7	W. B. Andrews	invoice $\frac{1}{4}$ less 5%	237 50	12 50	250	
	9	Shipt. Archer #1	net proceeds	785 90			785 90
	11	✓ Sales	cash sales	85 75		85 75	
	14	Ryan & Larcum	in full	900	22 50	922 50	
	15	Geo. E. Marey	invoice 12/24	96 83		96 83	
	16	Shipt. D. W. Parker #4	net proceeds	942 60			942 60
	18	A. H. Mears	in full	248 75		248 75	
	20	✓ Sales	cash sale	67 45		67 45	
	23	Shipt. C. H. Brooks #1	net proceeds	432 27			432 27
	25	Geo. Carter & Co.	invoice 1/16	66 25	8 75	75	
	27	✓ Sales	cash sales	49 70		49 70	
	29	M. H. Gray	in full	78 96		78 96	
	30	Shipt. W. F. Moore #1	net proceeds	206 34			206 34
	31	Cash (Dr.)		8429 05			
		Discount on Sales (Dr.)			43 75		
	✓	Sundry (Cr.)				6105 69	
		Shipments (Cr.)					2367 11
				8429 05			
Feb.	1	Balance	3681.33				

NOTE. — Prove each side by seeing that the sum of debit columns equals the sum of credit columns.

Receipts and Discount on Sales columns equals the footing of the Sundry Credits and Shipments Cr. columns. On the credit side the footings of the Net Payments and Discount on Purchases columns equal the footings of the Sundry Debits, Shipments Dr., and Consignments Dr. columns.

By this means the bookkeeper is able to make what amounts to a daily proof of the accuracy of the cash book.

The posting of items from the various columns of the cash book should be done daily, but the footings of the columns are not posted until the end of the month.

Note carefully how the cash book is closed and ruled preparatory to posting the footings at the end of the month.

Bank Account. — Instead of entering the deposits on the face of the check stub and deducting each check as heretofore instructed, you will keep the bank account, hereafter, in accordance with the following method.

Use the left-hand check stubs for a record of the deposits, and the right-hand check stubs for a record of the checks. The amount column of each of these stubs will be footed and carried forward from page to page, until it is desired to show a balance. This is done by deducting the total checks from the total deposits, on the left-hand check stubs.

In entering deposits on the left-hand stubs, write the amount of each item comprising the deposit a little to the left of the money column, and extend only the total, or net amount,

CASH DISBURSEMENTS

DATE	L.F.	ACCOUNTS DR.	EXPLANATIONS	NET PAYMENTS	DISCOUNT ON PURCHASES	SUNDRY DR.	SHIPMENTS DR.	CONSIGN- MENTS DR.
19—								
Jan	2	General Expense	taxes	65		65		
	3	Freight In.	on mdse.	42 75		42 75		
	5	Shipt. D. W. Parker #4	freight	17 50			17 50	
	7	Const. J. L. Osborn #1	"	18 90				18 90
	9	H. F. Wood & Bros.	inv. $\frac{1}{2}$ less 5%	570	30	600		
	12	Shipt. C. H. Brooks #1	ins. & cartage	4 32			4 32	
	13	Const. J. L. Osborn #1	net proceeds	742 30				742 30
	15	J. C. Harper & Co.	inv. $\frac{1}{2}$ less dis.	487 50	14 63	502 13		
	16	Salaries	clerks	30		30		
	16	Shipt. W. F. Larkin #3	ins. & cartage	5 25			5 25	
	19	Const. H. A. Savage	net proceeds	944 60				944 60
	19	General Expense	exchange	50		50		
	23	M. B. Parks & Co.	inv. $\frac{1}{2}$ less 5%	760	40	800		
	23	Freight In.	on mdse.	68 45		68 45		
	25	Const. J. L. Osborn #2	freight	64 15				64 15
	27	Morris & Elliott	inv. $\frac{1}{2}$ less 2%	906 50	18 50	925		
	30	Salaries	clerks	20		20		
	31	Cash	(Cr.)	4747 72				
	31	Disc't on Purchases	(Cr.)		103 13			
	✓	Sundry	(Dr.)			3053 83		
		Shipments	(Dr.)				27 07	
		Consignments	(Dr.)					1769 95
		Balance in safe	97.40					
		bank	3583.93	3681 33				
				8429 05				

of the deposit in the money column. The record for a deposit should be a copy of the deposit slip, as heretofore.

Some business houses keep a detailed record of deposits in a separate book, called a deposit book, and enter only the net, or total amount, and the date in the check book. Others take an impression of the deposit slip in a tissue book, like a letter book, or on a roller copying machine, and enter only the amount and date in the check book. This is one of the many labor-saving methods used in modern business houses.

When checks are paid by the banks, they are stamped *Paid*, or are otherwise canceled, and if drawn by their own depositors, they are filed until the depositors' pass books are written up, or statements are made out, when they are returned to the makers.

On account of the freedom with which checks circulate, and the consequent liability of their getting into the hands of dishonest or unscrupulous persons, several means are employed to prevent the raising or altering of checks and other similar negotiable instruments. Two of the most common means of safeguarding checks are by the use of safety paper on which erasures cannot be made without showing, and by the use of mechanical check protectors, of which there are several varieties. Some of these protectors rough or partly perforate the written figures in the amount, while others cut out or perforate in figures (omitting the cents) the amount expressed in the check. Another form cuts out or perforates the expression "not over \$100," or any other desired amount.

The cancellation of checks in banks is done either by rubber stamps or by canceling or perforating machines, which are operated either by hand or by electricity. These machines will cancel from ten to fifty or more checks in one operation, depending upon the kind of machine and the power used.

LETTER IMPRESSION BOOK

A E I												
The words A E I O U and Y are used to classify the names, so that five-sixths of the time is saved in looking for a name. This is effected by writing the name in the column where its first vowel appears. Thus, Chas. Fink, under O; Miller & Mitchell, under I.												
A	B	C	D	E	F	G	H	I	J	K	L	M
James O. P. & Co. v. L. v. Smith				J. v. 27-36-41-52-57-117-2-70-				F. v. 129.				

Reconciliation of Bank Balance. — The balance in the bank on any given date, as shown by the pass book when written up as of that date, or by the bank statement, will agree with the check book balance only when all checks issued prior to the balancing of the check book, and the writing up of the pass book, have been presented at the bank, and either certified or paid. This will rarely occur in a going business, and consequently there will generally be a difference between the two balances, which should be adjusted in the check book. This is done by adding to the check book balance the amount of the outstanding checks, as shown by the vouchers returned with the pass book or statement. These checks should be listed in detail on the check book stub. This is called *reconciliation of bank balance*. The check book balance is the true balance, and is the amount to be carried forward in the check book.

RECONCILIATION OF BANK
BALANCE

July	31	Total deposits	10205	94
		Total checks	6009	48
		True bank balance	4196	46
		CHECKS OUT		
		Nos.		
		352	103.63	
		361	66.37	
		365	90.04	
		369	283.69	543
		Bank's balance	4740	19
19—				
Aug.	1	True balance	4196	46

PRELIMINARY WORK

JULY 1, 19—

You have formed a partnership, under the name of E. H. Reed & Co., with Ellis H. Reed, who has been engaged in the Country Produce and General Merchandising business, at 312 South St., your city.

You are to invest \$5000 cash, and also a shipment to Thos. W. Bowen & Co., Dover, No. 3, valued at \$1955, making a total investment of \$6955. Ellis H. Reed owns the building at 312 South St., valued at \$9500. He transfers this property, by deed, to E. H. Reed & Co. He also owns two horses and a delivery wagon, valued at \$325, and office furniture and fixtures, valued at \$250. He has on hand the following goods: 600 bu. potatoes, invoiced at 60¢ per bu.; 140 bbl. apples, invoiced at \$3.50 per bbl.; 11 boxes cheese, 605 lb., invoiced at 11¢ per lb.

The following personal balances from customers are due Ellis H. Reed: Theodore Crosby & Co., \$129.33; A. W. Noone & Co., \$528.44; Public Market Co., \$244.60; Geo. H. Tucker & Co., \$204.13; City Hotel Co., \$250.45.

Ellis H. Reed owes the following balances: Russell & Birkett, \$426.45; Curtice, Olney & Co., \$1326.40; Lutz Bros., \$714.50; Gillette & Hennigan, \$541.20; and a note in favor of the Fischer Flour Co., St. Louis, dated June 16 at 30 days, \$845.27.

The new firm assumes all the liabilities of Ellis H. Reed, and takes over his resources, as listed above. Each partner is to receive interest at six per cent on his net investment, after which the gains and losses are to be divided equally.

The form on page 201 shows the journal and cash book entries for the investments of Ellis H. Reed and yourself which you will now make.

Enter the shipment to Thos. W. Bowen & Co., Dover, No. 3, \$1955, in the shipment ledger. Write for explanation, *shipped June 24, Investment of (Student)*.

No. A 1 Take your investment, \$5000 cash, from your voucher pad, and place it in Cash Drawer.

Prepare a circular letter, soliciting shipments of country produce or general merchandise, and mail a copy to each of the following concerns: Rice & Pond, Georgetown; Edwin Mason & Co., Milford; Chas. Hunter & Co., Northboro (all in your State); Fischer Flour Co., St. Louis, Mo.; Iowa Packing Co., Des Moines, Iowa.

The following is a form of circular letter:

FORM OF CIRCULAR LETTER

Albany, N. Y., July 1, 1919.

Mr. Geo. H. Alling,
Utica, N. Y.

Dear Sir:

You will be interested to know that we have opened at 348 Central St., this city, a large and well equipped store for the handling of every variety of country produce -- butter, eggs, fruit, vegetables and canned goods, to be sold on commission. As it is also our purpose to conduct a general merchandising business, we are prepared to buy anything in the above line and will offer you the highest market rates.

We handle shipments of first-class goods only, and are prepared to make cash advances for all staple products on receipt of bill of lading. We render accounts sales and send cash remittances as soon as consignments are disposed of. Our charges are 5% of sales and 1% for storage and insurance.

By permission, the First National Bank and the Empire Storage Company of this city will indorse our financial standing.

Any business that you may favor us with will receive prompt attention.

Very respectfully yours,

The Geo. H. White Commission Co.

Posting. — The following are the general ledger accounts to be used in the Commission set:

Cash, Notes Receivable, Theodore Crosby & Co., A. W. Noone & Co., Public Market Co., Geo. H. Tucker & Co., City Hotel Co., Thos. Varick & Co., E. B. Dean & Co., National Market Co., D. W. Perry & Co., J. M. Marsh & Co., Consignments, Shipments, Merchandise Inventory, Real Estate, Horses and Wagons, Furniture and Fixtures, Insurance Unexpired, Office Supplies, Notes Payable, Russell & Birkett, Curtice Olney & Co., Lutz Bros., Gillette & Hennigan, Dock & Coal Co., Western N. Y. Preserving Co., Chas. Hunter & Co., E. H. Reed, Student, Purchases, Freight-In, Sales, Commission, Charges, Discount on Purchases, Discount on Sales, Discount on Notes Receivable, Salaries, Delivery Expense, General Expense, Profit and Loss.

JOURNAL ENTRY

JULY 1, 19—

C. B.	Ellis H. Reed and (student's name) have this day entered into a partnership to carry on, at 312 South St., a Commission and General Merchandising business, under the name of E. H. Reed & Co.			
	Each partner is to receive six per cent interest on his net investment, after which the gains and losses shall be divided equally.			
	Ellis H. Reed invests the following resources and the firm assumes the following liabilities:			
	Real Estate	9500		
	Mdse. Inventory	916 55		
	Horses and Wagons	325		
	Furniture and Fixtures	250		
	Theodore Crosby & Co.	129 33		
	A. W. Noone & Co.	528 44		
	Public Market	244 60		
	Geo. H. Tucker & Co.	204 13		
	City Hotel Co.	250 45		
	Russell & Birkett		426 45	
	Curtice, Olney & Co.		1326 40	
	Lutz Bros.		714 50	
	Gillette & Hennigan		541 20	
	Notes Payable		845 27	
	Ellis H. Reed		8494 68	
	(Student's name) invests cash, \$5000, and a shipment, #3, to Thos. W. Bowen & Co., Dover, valued at \$1955.			
	Cash	5000		
	Shipments (Student)	1955		6955

CASH BOOK ENTRY

19— July	1	✓	(Student's name)	Investment	5000
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Open accounts in the general ledger for accounts on page 200, allowing four accounts to a page.

It is recommended that the posting be done daily.

The accounts with customers and creditors are kept in the general ledger; therefore there will be no controlling accounts kept with accounts receivable or accounts payable. As heretofore explained, the only controlling accounts illustrated in this set are Shipments and Consignments.

Ledger Index. — Prepare an index of the ledger on the first two pages of the book, these having been specially ruled for the purpose. You will note that each page is divided into two equal parts by a vertical red line. Write a capital A in the middle of the first part at the top of the left-hand side. In middle of the ninth line below this, write B. On the ninth line below B, write C, and so on, going from the bottom of the left-hand part to the top of the right-hand portion of the page, and then to the next page, until every letter of the alphabet has been assigned a space. Assign only one space to each of the following groups: H—I—J, P—Q, U—V, X—Y—Z.

Write the names of all the accounts in the ledger in their proper alphabetic place in the index, and after each account write the page of the ledger on which it appears. In personal accounts, the initial letter of the surname or of the first principal word determines its place in the index.

JULY 10

Order from Gillette & Hennigan, Baltimore, Md., at their best cash discount, 20 boxes St. John River oranges, 50 boxes lemons, 12 doz. pineapples.

The above and following letters should be very carefully written and submitted to your teacher for approval. An impression of each letter may be taken in a letter book if such a book is used. Ask your teacher to show you the method of taking an impression in a letter book. If letters are copied in this way, prepare a vowel index as shown in the illustration on page 198, and index your letters, using the first vowel in the surname of the person or first name of the firm as a guide for position. Inclose the letter in a properly addressed envelope, and place in Vouchers for Others.

Order from Russell & Birkett, Penn Yan, N. Y., on account, 30 days, 50 bbl. XXX family flour, 50 bbl. XX family flour, 25 bbl. pastry flour.

Order from Curtice, Olney & Co., Rome, N. Y., 36 cases, 72 doz., canned sugar corn; 72 cases, 144 doz., canned tomatoes. Order these sent by Interstate Transportation Company, fast freight, and request them to draw on you at 30 days for the amount of the bill.

Order from Lutz Bros., Allegheny, Pa., 5 bbl. sour pickles, 4 bbl. sweet pickles, 25 cases, 50 doz., Diamond ketchup, 16 oz. Order the goods shipped by Interstate Transportation Company, and request 60 days' credit.

TRANSACTIONS

JULY 16

No. 1 This advice of shipment accompanies a lot of goods received from Edwin Mason & Co., of Milford, your state, to be sold on their account and risk.

Take from your package of business forms the pad of loose-leaf consignment sales blanks, and in the square at the top write the stencil mark of this consignment, which will be M-1 (see form of loose-leaf sales blank, page 190). Fill out the consignment sales sheet with the date of shipment, name of consignor, etc. Opposite *Received* write the articles as shown by the advice received with the goods. (See form, page 190.)

Paste the gummed edge of the loose leaf to the back of the cover of the consignment ledger. Place the advice of shipment in your Voucher File.

It will be noticed that the freight and cartage charges on the above consignment were not paid at the time the goods were received. This is the practice in cities where truck or dray companies are established, and also, as regards freight charges, when proper arrangements have been made with the railroad companies. The freight or drayage bills are brought in daily, weekly, or monthly, and one check is drawn for the total amount.

In business when goods are shipped by freight, the shipper usually sends the bill of lading with invoice or advice of shipment to the consignee. If a shipment has been made under a straight bill of lading, the railroad company will notify the consignee, usually by post card, when the goods have arrived and are ready for delivery, and the amount of freight charges, if any, on the shipment. As a rule, this notice must be presented at the freight office and the freight charges paid, before the goods can be taken away. When freight charges are paid, two receipts are given; one by the railroad company for the money, and the other by the consignee or his representative for the goods. These receipts are made out by the railroad company after the arrival of the goods and before the notice is sent to the consignee. The receipts

contain the date on which they are made out; date and number of waybill; the car number and initials; the weight, rate and amount, and the advance charges, if any. The procedure when goods are shipped under an order bill of lading will be explained later.

No. 2 This advice of shipment is received with goods mentioned from the Western New York Preserving Company, Springville, N. Y., and should be entered precisely as the lot received in No. 1 (W-1). Paste the gummed edge on the back of M-1.

No. 3 This advice has been received from Rice & Pond, accompanying goods as mentioned.

No. 4 This invoice is for goods ordered by you July 10, from Gillette & Hennigan, and should be recorded in the purchases journal (Blank No. 1), as in previous work. Verify the calculations and O.K. the same. The receiving clerk has already O.K.'d the quantities. Verify all calculations and O.K. all invoices, after which record the merchandise invoices in the purchases journal; and file the other invoices or bills in the Voucher File.

No. 5 This invoice from E. R. Coburn & Co. is for books and other office supplies.

Make no entry at present. The amount will be found in your cash items to be paid at the end of the day, and entered at that time.

No. 6 This invoice from Lutz Bros. is for goods ordered by you July 10. (See No. 4.)

Sales from Blotter. — In this month's work a large number of sales will be made to local persons, whose orders are given verbally and are entered in an order book or blotter. You will receive among your incoming vouchers a list of these sales each day, and will make out the bills as usual. In entering these sales in the sales book be sure that the stencil mark of the consignment appears opposite each item sold from that consignment, and that these items are carried to the loose-leaf consignment ledger from the Consignments column of the sales book.

A blotter was originally a kind of day book in which all transactions — purchases, sales, receipts and disbursements of cash, etc. — were first entered in memorandum form and from which the entries were transferred to the main books. Sometimes it is used for orders only, in which case it is equivalent to an order book. The blotter is generally made of heavy, coarse paper, and the records are made in pencil.

No. 7 These sales have been made as per blotter, and should be entered in the sales book (see model, page 193). Be sure that the cash sale is entered in the cash book, and checked off both in cash book and in sales book (see explanation, page 194). Place the voucher in Voucher File. Make out bills for all sales as per blotter.

In this month's work an account will be kept with freight, and all amounts paid for freight on your own merchandise will be charged to Freight In account.

The items from the Consignments columns of the cash book and from the sales book should be carried to the loose-leaf consignment ledger at the close of each day, as it is necessary that they appear there before an account sales can be rendered to the consignor; and it is also necessary that the items in the Shipments columns of the cash book be carried to the shipment ledger in the same manner, as they must appear there before the closing of any accounts in the shipment ledger. If there are any entries to shipments or consignments in the journal, these should also be posted at the end of each day.

The following is an illustration of the sales book with the first charge for July 16, showing the method of entering sales from consignments and regular merchandise sales together. The check marks show that the amount of merchandise sold from the consignment has been transferred to the consignment ledger.

COMMISSION SALES BOOK

JULY 16, 19—

				INVOICE		CONSTS. CR.	SALES. CR.
		City Hotel Co.	a/c	30 days			
M-1	✓	5 cases Eggs	120 dz.	.22	26 40		
M-1	✓	2 tubs Butter	120 lb.	.24	28 80	55 20	
		2 boxes Lemons		4.75	9 50		9 50
					64 70		

No. 8 This is an order on the cashier to pay various bills. Pay the items in currency.

Enter in your cash book, debiting the proper accounts (see model, page 197). Allow a line for each charge for freight paid on consignments. (Place the money in Cash Paid Out.) Post all freight charges on consignments from the cash book to the proper consignment in the loose-leaf consignment ledger, placing the amount opposite the printed word *Freight*. Remember to debit *Freight In* in cash book for all freight paid on your own merchandise.

No. 9 This account sales and draft are received from Thos. W. Bowen & Co., and as they have been notified of the change in your business, they have made the draft payable to E. H. Reed & Co.

Enter in your cash book, crediting Shipment to Thos. W. Bowen & Co., No. 3, for the amount of the net proceeds, and carrying the amount of net proceeds to the credit of shipment No. 3, in shipment ledger. There has been a gain on this shipment. Close the shipment in shipment ledger by entering the amount of the gain in the debit column, the word *gain* in the explanation column, and the date in the date column. Make proper use of red ink as in closing other ledger accounts. (See page 192.)

No. 10 This check has been received from Theodore Crosby & Co., in full of account, and is indorsed by Ellis H. Reed to E. H. Reed & Co.

No. 11 Open an account with the Traders Bank, and deposit \$4900 cash, the check of Theodore Crosby & Co., and the draft received from Thos. W. Bowen & Co. Copy the items from your deposit ticket on the left-hand stub of your check book, and extend the total into the money column. Do not enter the deposit on the right-hand stub, as that will be used only for a record of the checks drawn.

It is a good practice, as well as the usual custom, to deposit checks on the day they are received or on the following day. If a check is not deposited within a reasonable time, usually considered to be twenty-four hours, and the bank on which it is drawn should fail, the maker of the check would be discharged from loss occasioned by the delay of the depositor.

You will now prove the cash and post the entries in your books in accordance with previous instructions. (In proving cash, include cash on hand and in bank.)

JULY 17

No. 12 This invoice has been received from Curtice-Olney & Co.

No. 13 This advice of shipment accompanies goods received from Fischer Flour Company, and incloses a draft at ten days' sight for \$300, which you will accept, payable at Traders Bank, and place in Notes Payable File.

Enter the consignment on a loose-leaf sales leaf, and under *Advances* write the amount of the draft, \$300. Make a journal entry, debiting *Consignments* and crediting *Notes payable* for the amount of the draft, as follows:

	Consignments	Accepted Fischer Flour Co.'s draft at 10 days, on account of goods received to be sold on their account and risk.	300		
	Notes Payable				300

No. 14 This order is received from Thomas Varick & Co. Take the canned goods from lot W-1 — peas, \$1.30; corn, \$1.10; tomatoes, \$1.25; and the balance of the order from your own goods — apples, \$3.75; potatoes, 75¢. (Enter in the sales book, as per model, page 193.) Do not forget the stencil mark.

No. 15 This letter from F. H. Larkin & Co. solicits a shipment from you.

Make a shipment invoice — apples, \$3.50; potatoes, 60¢ — and enter in your shipment ledger (see form, page 192). Pay for insurance, 75¢, currency, and enter in the cash book.

In business a straight bill of lading would, of course, be made out for a shipment of this kind, but in view of the practice which you have had in the introductory work, the bills of lading will be omitted in this set.

The following is the form of the shipment ledger as it will appear after this entry has been made, and after the cash paid for insurance has been posted from the Shipment column of the cash book at the close of the day. (Allow three lines for the closing entries.)

SHIPMENT LEDGER

INDEX, CHECK, AND FOLIO	JULY 16, 19—	MDSE.		LEDGER ACCOUNTS							
				Debits		Credits		Folio and Explanation	Date		
	Thos. W. Bowen & Co., #3, Dover, Shipped June 24, Investment of (Student's name). 17			1955						19—	
				103 62		2058 62		C. 2 Gain		July	16
				2058 62		2058 62					
	F. H. Larkin & Co., Northboro, 50 bbl. Apples, 3.50 200 bu. Potatoes 60¢	175 120		295							
				75				C. 3			17

No. 16 These sales have been made from the blotter, and should be entered in the sales book. The cash should be entered in the cash book. (See transaction No. 7.)

The small cash sale of merchandise, \$6, is not entered in your sales book, but posted direct to the credit of Sales from the cash book. In every business there will be more or less of these small sales, even though it be strictly wholesale business, for it is quite a common practice among business houses to send in friends with a request that, as a favor, a small quantity of goods be sold them at wholesale prices, and it is customary for a wholesale house to comply with such a request. If such sales are made from consignments, it is necessary that they be entered in the sales book, but when made from your own goods, it is customary to enter them in the cash book only, and post to Sales account direct from that book. If many such sales are occurring, it is well to have a special column for merchandise sales in the cash book. In this business, as there are only a few sales of this nature, they will be carried to the General column of the cash book, and Sales account credited from that book. (See entries of the 11th and 27th in cash book, page 196.)

No. 17 This invoice from Russell & Birkett is for goods ordered by you July 10.

No. 18 These items should be entered in the cash book, and the item of \$55 also entered in the consignment ledger, opposite *Freight, Cartage, etc.*, on the loose leaf for Fischer Flour Co.'s consignment. Make checks for all bills, except the one of \$10 for care of horses, which pay in cash.

No. 19 This check is received with an order from A. W. Noone & Co. Make cash book entry, but carry the order over in Voucher File until the 18th.

No. 20 Deposit checks of W. B. Alden & Co. and A. W. Noone & Co. (Prove the cash.)

JULY 18

No. 21 Render an account sales to Edwin Mason & Co., and inclose a New York draft for the amount of the net proceeds.

Turn to your consignment ledger and see that all sales from this consignment, M-1, have been transferred from the sales book to the second, or sales, column of the loose leaf stenciled M-1 in the consignment ledger. Foot this second, or sales, column, and place the amount at the bottom of the page. Find the commission at 5%, and write in the first column of the loose leaf the amount \$13.34. Take 1% of the sales for insurance, storage, etc., and place it opposite the word *Charges*, under which head insurance, storage, etc., will be kept in the ledger. Subtract the sum of the amounts in the first column from the footing of the second column, and place the difference opposite *Net Proceeds* in the first column of the loose leaf. (See model, page 190.) If you have made no mistake in addition or subtraction, the account will now balance. To show this, rule and foot. The amount of the net proceeds is to be sent to E. Mason & Co. by New York draft, the cost of which you will pay. Make out a check for the amount of the net proceeds of the consignment plus 25 cents.

The following is a form of check to be used in the purchase of New York drafts :

No. 215.	(Your place here.)	July 18, 19
THE TRADER'S BANK		
Pay to the order of N. Y. Draft 246. ⁶⁴ Ex. 25¢ \$246. ⁸⁹		
Two hundred forty-six ⁸⁹ / ₁₀₀		Dollars
		IN COLLEGE CURRENCY.
E. A. Reed & Co.		

Indorse the draft (Voucher No. 21) to E. Mason & Co.

Some business houses have the draft made payable to the order of the person to whom it is sent, but it is better to make the draft payable to your own order and indorse it to the person to whom it is to be sent, as the draft will then show on its face the name of the party who sent it.

Enter in your account sales register the information called for by the columns of that book (see pages 194 and 195), taking the amounts from the loose leaf.

Be sure to enter the amount of the draft in the proper column.

The form on page 190 shows the loose leaf of E. Mason & Co.'s consignment No. 1 as it should appear at the present time.

Enter in your cash book, debiting *Const. Mason & Co. No. 1* for the amount of the draft, and *General Expense* for the cost of the draft, 25¢. If a large number of New York drafts are sent, so that there would be a considerable amount paid for exchange, an account with collection and exchange should be kept, but in this business it is not thought advisable to open such an account, and *General Expense* is debited for the exchange on drafts.

Detach the loose leaf at the perforated line from the ledger, and make a copy to keep on file for reference. Place the New York draft and the loose leaf (M-1) in an envelope properly addressed, and place in Vouchers for Others.

As the consignment is now closed, and you have sent the net proceeds to the consignor, it is evident that there is no necessity for any record of this lot in your books. If your school is not provided with the proper letter press, then the entry in the account sales register will be a sufficient record of the transaction.

No. 22 Render an account sales of lot R-1 received from Rice & Pond and remit proceeds by check.

No. 23 Memorandum of shipment from Edwin Mason & Co. The stencil will be M-2.

No. 24 Memorandum of goods consigned to you by Rice & Pond.

No. 25 Letter from Chas. Hunter & Co.

No. 26 Fill this order from D. W. Perry & Co., taking 3 X flour, \$5.25, and Pastry flour, \$5.50, from your own merchandise; C. E. peas, \$1.30; E. J. peas, \$1.50; beans, \$1.20, from lot W-1. Draw a draft at 60 days from the date of the bill, and present it to your teacher for acceptance. He will accept the draft for D. W. Perry & Co. Make the proper journal entry, and place the acceptance in the Cash Drawer.

No. 27 Take order No. 19, A. W. Noone & Co., from your Voucher File and make a bill of the goods called for, taking 20 bbl. Redcloud at \$4.75 per bbl. and 20 bbl. Snowflake at \$4.90 per bbl. from Fischer Flour Co.'s consignment No. 1, and 10 bbl. apples at \$3.75 per bbl. from E. Mason & Co.'s consignment No. 2.

No. 28 Sales from blotter.

No. 29 Cashier's payments. Make out checks for the amounts required.

Carry all consignment sales from the sales book to the consignment ledger, and all consignment and shipment items from the cash book to the shipment and consignment ledgers.

Prove the cash and post as heretofore. Open new debtor accounts on page —, allowing one fourth of a page to each.

JULY 19

No. 30 Render an account sales of lot W-1, and place the net proceeds to the credit of the Western New York Preserving Company, subject to sight draft. In this case no check has been sent for the net proceeds, but an account will be opened with the Western New York Preserving Company in your general ledger. Write *Placed to credit* opposite *Net Proceeds* on the loose leaf. Enter in your account sales register as usual, and write the amount to be credited in the proper column. The net proceeds will be posted later from the account sales register.

No. 31 Check from the Public Market Co., to pay the balance due to July 1.

No. 32 Check from G. H. Tucker & Co., to pay the balance due to July 1.

It is not necessary to send a receipt for a check, since the check itself when paid by the bank will be canceled and returned to the maker, showing that the amount has been paid to the person in whose favor it was made. It is customary in some business houses to acknowledge the receipt of every remittance in some form. If a statement or invoice accompanies the remittance, it could be receipted and returned. If the statement or invoice is not received with the remittance, an acknowledgment should be sent.

No. 33 The Traders Bank presents Chas. Hunter & Co.'s draft at sight. Accept it by writing *Accepted, July 19, 19—, payable at Traders Bank* across the face, and place in Vouchers for Others. In business, the draft would be returned to the bank, and the amount would be deducted from your balance on deposit, and the draft would come back to you when your vouchers are returned to you by your bank. Make an entry on the stub of your check book immediately below the record for the last check as follows: "7/19/—, Chas. Hunter & Co.'s dft. 300," placing the amount in the money column to be added with the checks. Enter in the cash book, debiting *Const. Hunter & Co. No. 1*.

Some banks, in a case like the above, or where a note or time draft is made payable at the bank, would require the drawee of the draft, or the maker of the note, to meet the obligation by check.

No. 34 Sales for the day as per blotter.

No. 35 Cashier's payment for the day.

No. 36 This invoice has been received from Dock & Coal Co., for your order given to the salesman of the house, who has recently called upon you.

Prove the cash and post. Open new creditor accounts on page —, allowing one fourth of page to each.

JULY 20

No. 37 Ship to J. M. Marsh & Co., Boston, Mass., to be sold on commission, 25 bx. cheese, 2625 lb., at 12¢; 25 tubs butter, 1500 lb., at 21¢. Pay insurance, \$1.50, in cash.

No. 38 Ship to W. A. Simonds & Co., to be sold on commission, 1000 bu. potatoes at 62½¢, and pay for insurance, \$1.25.

No. 39 Draw at 30 days, on J. M. Marsh & Co., for \$300, and place the draft in Traders Bank for collection. Make journal entry, crediting *Shipments* and debiting *Notes Receivable*, since it is understood that Marsh & Co. will accept the draft; also credit Shipment to J. M. Marsh & Co. in shipment ledger for \$300. Make no entry on the stub of the check book. An entry will be made in the back part of your bank pass book by the teller under the head of collections. When the draft is collected you will receive credit for it the same as for a deposit, and you will then enter it on the stub of the check book.

No. 40. Memorandum of advice from the Iowa Packing Co.

No. 41. Fill this order from Fischer Flour Co.'s consignment — Redcloud, \$4.75; Snowflake, \$4.90.

No. 42 Sales from blotter.

No. 43 Render an account sales of the Fischer Flour Co.'s consignment, and send them a check for the net proceeds, less draft for \$300 accepted July 17.

No. 44 Invoice from Curtice-Olney & Co.

No. 45 Invoice from Russell & Birkett.

No. 46 Cashier's payments.

No. 47 Check from the City Hotel Co., for the amount due July 1, less 5%. (See model in the cash book, page 196.)

No. 48 Deposit all cash and checks on hand.

Prove your cash, and post. Allow one fourth of a page for new accounts.

JULY 23

No. 49 This check has been received in payment of bill of July 16, less 3% on the part of the sale which was made from your own merchandise. See if the check is for the correct amount, and if so, enter it in your cash book. Enter in *Discount on Sales* column the difference between the amount of the check and the amount of the bill.

No. 50 This check is in payment of bill of the 17th, less 3% on that part which was taken from your own merchandise. (Enter as in No. 49.)

No. 51 Memorandum of shipment by the Fischer Flour Co., under an order bill of lading, with the accompanying sight draft for \$500, which is presented by your bank. Accept the sight draft and make entry on stub of check book, similar to that for transaction No. 33. Enter in your cash book, debiting *Const. Fischer No. 2 advance payment*. Enter the goods on a loose leaf, with the stencil mark *F-2*. Opposite *Advances*, in the debit column, write the amount of the sight draft you have accepted.

For an explanation and illustration of the order bill of lading, see Introductory Course, pages 94-96. Note carefully the difference between the form and use of the order bill of lading and the straight bill.

When goods are shipped under an order bill of lading, the usual notice of the arrival of the goods is sent and the receipt forms are made out by the railroad company, but the goods are delivered only on presentation of the bill of lading, properly indorsed, and, of course, the payment of freight charges, if any.

In No. 51, after you had accepted the draft, which in this case was equivalent to issuing your check for the amount, the bank would indorse the bill of lading to E. H. Reed & Co., which would give you title to the goods, and enable you to get them from the railroad company.

No. 52 Memorandum from Rice & Pond.

No. 53 Render an account sales to Rice & Pond for consignment No. 2, which is sold out, and send them a check for the net proceeds.

Close the consignment in your consignment ledger, and remove the leaf from the book.

No. 54 This draft on you by the Western New York Preserving Co. is presented by the bank. Accept the draft.

No. 55 Fill this order from Theo. Crosby & Co., taking apples, \$3.75 per bbl., butter, 24¢ per lb., from Mason's consignment No. 2, and XXX flour, \$5.25 per bbl., XX flour, \$5 per bbl., Pastry flour, \$5.50 per bbl., from your own merchandise. Do not fail to write the stencil number of the consignment opposite the items in the sales book that are taken from Mason's consignment, and enter these amounts on the credit side of the loose leaf in the consignment ledger. (Calculate butter at 60 lb. per tub.)

No. 56 Sales of the day from the blotter.

No. 57 Cashier's payments for the day. Be careful in calculating your discounts.

Prove the cash, and post.

JULY 24

No. 58 Invoice from Dock & Coal Co.

No. 59 Check from F. H. Larkin & Co., with an account sales of shipment sent them on the 17th. Enter in your cash book, placing the amount in the Shipments column, and post to shipment ledger in credit column. Close this shipment account.

No. 60 Check from the National Market Co. in payment of bills of July 17 and 18, less 3% on the part of the bills which have been sold from your own merchandise.

No. 61 Take from your Cash Drawer, D. W. Perry & Co.'s acceptance at sixty days from July 18, for \$220.25, and have it discounted at the bank. (Prepare discount slip as usual.) Notice that the draft is not discounted for 60 days, but for the time it has to run. See that the net proceeds are placed to your credit in your bank pass book. Enter in your cash book and on the left-hand stub of your check book.

No. 62 Memorandum of goods received, freight paid, from the Western New York Preserving Co.

No. 63 Render an account sales of consignment received from the Iowa Packing Co., and remit net proceeds by New York draft, for which you will pay 25¢ (see No. 21). Make

the check for amount of draft and exchange. Indorse the draft properly, and inclose it with the account sales in an envelope addressed to the Iowa Packing Co.

No. 64. Sales as per blotter.

No. 65. Ship to Warren Jordan, New York, to be sold on commission, 150 bbl. apples at \$2.75, 800 bu. potatoes at 55¢.

No. 66 Cashier's payments for the day.

Prove the cash, and post.

JULY 25

No. 67 Memorandum of shipment by the Iowa Packing Co., under an order bill of lading, with the accompanying sight draft, which is presented by the Traders Bank (see No. 54).

No. 68 Memorandum of shipment from Edwin Mason & Co. (M-3).

No. 69 Send 500 bu. potatoes at 55¢, and 10 tubs butter at 21¢, to F. H. Larkin & Co., Northboro, to be sold on commission. Take these goods from your own merchandise.

No. 70 Deposit all checks on hand.

No. 71 Order received from D. W. Perry & Co. Fill order as usual, taking apples at \$3.50 and butter at 22¢ from H-1; plums at \$1.50 and peaches at \$1.75 from W-2.

No. 72 Sales from blotter.

No. 73 Cashier's payments for the day. Make out a check for the bill for building stable, and pay the freight bills in cash. Do not forget to charge each consignment and each shipment with its freight bill. To what account would you charge the check given for building the stable?

No. 74 Render an account sales of Edwin Mason & Co.'s consignment No. 2, and send them the net proceeds by New York draft. Make out a check for the amount of the draft and 50¢ exchange.

Prove the cash, and post.

JULY 26

No. 75 Invoice from Gillette & Hennigan.

No. 76 Fill D. W. Perry & Co.'s order, taking oranges at \$6, lemons at \$4.75, pineapples at \$1.80, from your own merchandise; plums at \$1.50, cherries at \$1.50, from W-2.

No. 77 This order is received from G. H. Tucker & Co., and, as requested, you will draw a sight draft for the amount of the bill. Fill the order, less 3%, taking goods from your own merchandise — pineapples, \$1.80; lemons, \$4.75; cheese, 15¢; ketchup, \$2.50.

Since the sale is, in effect, for cash, you allow them a discount of 3%. Draw the draft and place it in your Cash Drawer for deposit at the close of the day with other drafts and checks received. Enter the amount in your cash book the same as though you had received a check, and check off the debit entry in the sales book and the credit entry in the cash book. Deduct the discount in the sales book, and extend the net amount in the merchandise column.

No. 78 Memorandum of sundry small sales made from your own merchandise (see No. 16).

No. 79 Letter from Russell & Birkett, inclosing a draft. Accept this draft.

No. 80 Check from the City Hotel Co. in payment of bills of July 16 and 17.

No. 81 Cashier's payment. Pay the freight on Gillette & Hennigan's invoice in cash.

No. 82 Deposit sight draft of G. H. Tucker & Co. and check of City Hotel Co. Enter the sight draft on your deposit slip under *Checks*, with the explanation, *Sight draft*, opposite the amount.

The acceptance of the sight draft on G. H. Tucker & Co. by the bank as a deposit was by agreement with the cashier. The draft is treated as a check, and if not paid will be charged back to you by the bank.

This is not a common practice, but where the depositor is responsible and his account is satisfactory, some banks will extend this courtesy.

Prove the cash, and post.

JULY 27

No. 83 Return 10 tubs of butter received from Chas. Hunter & Co., as it is found upon examination to be unfit for your trade. This transaction requires an entry in your consignment ledger. Under *Sales* write *10 tubs butter returned, 600 lb.* Write a letter to Hunter & Co., telling them why the goods have been returned.

No. 84 Render an account sales to Rice & Pond for consignment No. 3. Send them a check for the net proceeds.

No. 85 Sales from blotter.

No. 86 Cashier's payments. Pay these amounts in currency.

No. 87 Check from A. W. Noone & Co. for invoice of the 18th inst.

No. 88 Check from E. B. Dean & Co., in payment of bill of the 17th, less 3% discount on that part of the bill taken from your own goods.

No. 89 Render an account sales to Chas. Hunter & Co., and place the net proceeds to their credit. Enter in Packages Returned column of the account sales register the 10 tubs butter returned July 27.

No. 90 Account sales of shipment to J. M. Marsh & Co.

No. 91 An account sales from W. A. Simonds & Co., New York, with cashier's check for your net proceeds. A cashier's check answers the same purpose as a bank draft. Note closely the form of the check.

No. 92 Your acceptance of July 17, favor Fischer Flour Co., is due this day at Traders Bank.

No. 93 Deposit all checks and cash on hand. Prove the cash, and post all unchecked original entries. Before proceeding further, turn to pages 189 and 199 and carefully read the explanations given there of the various books used in this set.

Closing Books of Original Entry. — Close cash book, sales book, purchases journal, shipment ledger, and account sales register in accordance with the models previously described.

Final Posting. — You will now post to the general ledger the footings of the special columns of your books of original entry in accordance with the following instructions.

Cash Book. — Debit Side. Post the total of the Net Receipts column to the debit of Cash; the total of the Discount on Sales column to the debit of Discount on Sales; the total of the Shipments column to the credit of Shipments; the individual items in the Net Receipts column should be posted to the credit of the individual accounts. The total of the Sundry Dr. column is checked and not posted.

On the Credit Side of cash book post the footing of the Net Payments column to the credit of the Cash account; post the footing of the Discount on Purchases column to the credit of Discount on Purchases; post the Shipments column to the debit of Shipments; post the Consignments column to the debit of Consignments; the individual items in the Net Payments column will be posted to the debit of the individual accounts. The total of the Sundry Cr. column is checked and not posted.

Sales Book. — Post the footing of Sales from Consignments column to the credit of Consignments; post the footing of the Sales column to the credit of Sales; post the individual items to the debit of the individual accounts.

Purchases Journal. — Post the footing to the debit of Purchases; post the several items to the credit of the respective accounts.

WARD & GRAY

PROFIT AND LOSS STATEMENT, JULY 1-JULY 31, 19—

Shipments (net proceeds received)			\$2800.
Deduct:			
Net Cost of Shipments:			
Goods shipped	\$4115.42		
Less:			
Cost of Goods in hands of Consignees 7/31	<u>1445.75</u>	2669.67	
Profit on Shipments			\$130.33
Merchandise (net sales)			\$4461.27
Less:			
Cost of Sales:			
Inventory	\$2400.		
Purchases	4444.30		
Freight-In.	<u>115.30</u>		
Total Cost	\$6959.60		
Less:			
Inventory 7/31/19—	<u>2747.38</u>	4212.22	
Gross Profit on Sales			249.05
Commissions earned		\$122.47	
Charges earned		<u>23.71</u>	146.18
Gross Profit from Operations			\$525.56
Deduct:			
Operating Expenses:			
Salaries		\$60.	
Insurance		4.32	
Office Supplies used		5.00	
Depreciation on:			
Real Estate		150.	
Furniture and Fixtures		25.	
Horse and Wagons		<u>25.</u>	269.32
Net Profit from Operations			\$256.24
Add:			
Other Income:			
Discount on Purchases			<u>365.68</u>
Total Income			\$621.92
Deduct:			
Other Charges:			
Discount on Sales		\$150.	
Discount on Notes		<u>2.40</u>	152.40
Net Profit — July 1 to July 31, 19—			\$469.52
Distributed as follows:			
Interest on Capital			
Geo. Ward	\$13.26		
A. H. Gray	<u>12.71</u>	\$25.97	
Geo. Ward 1/2 net balance	\$221.78		
A. H. Gray 1/2 net balance	<u>221.77</u>	<u>443.55</u>	<u>\$469.52</u>

Shipment Ledger. — Post the footing of the Mdse. column to the debit of Shipments and to the credit of Purchases.

Account Sales Register. — Post the footing of the Amount to be Posted column to the debit of Consignments, and the Commission and Charges amounts to the credit of their respective accounts.

Your posting is now completed, but you should check back, to be certain that there are no errors or omissions.

Take a trial balance and submit it to your teacher for approval.

No. 94 Bank voucher slip. Foot your pass book, deduct the amount of the slip, with proper explanation, using red ink, and balance and rule up the book.

Take your checks from the file and compare them with the slip, place a check mark against each item as it is found to agree with the check. Return the unpaid checks to the file.

Cancel the paid checks by writing *Paid* across the face of each, and then compare them with the amounts on the check stubs, checking each amount for which you have a canceled voucher. The unchecked amounts represent unpaid checks. Place the canceled checks in Voucher File. Reconcile your bank balance. (See Reconciliation of Bank Balance, page 199.)

Instead of writing up the depositor's pass book in detail, as was formerly the general custom, many banks now list the charge items on a strip of paper by means of the adding machine, and enter only the total and the balance in the pass book. Other banks render regular monthly statements to their depositors, the forms of which vary. Some of these statements are in envelope form, and show on the outside: the deposits in detail; dates of same; total credits, including previous balance; total debits; and present balance. The vouchers are inclosed in the envelope, but no detailed statement of them is given. Another form of statement, and one which is much appreciated by depositors, is similar to the monthly statement of business concerns. The charge items are listed in detail and footed under Vouchers, on the left side of the form, and the credits, balance, deposits — dates and amounts — are listed under deposits on the right side. This side also shows the total credits, total debits, and balance. This work is also done on the adding machine, and the vouchers are returned with the statement.

INVENTORIES, JULY 31, 19—

50 bbl. Apples,	\$3.50	16 bx. Lemons,	\$4.
94 doz. C. Beans,	1.	5 " Oranges,	5.
7 tubs Butter, 420 lb.,	.21	72 doz. C. Peas,	.85
27 bx. Cheese, 2735 lb.,	.11	3 bbl. S. Pickles,	7.
72 bx. C. Corn,	1.05	3 " Sw. Pickles,	9.
105 bbl. 3X Flour,	4.50	489 bu. Potatoes,	.62½
70 " 2X Flour,	4.25	1 doz. Pineapples,	1.20
55 " Pastry Flour,	4.75	133 " C. Tomatoes,	.95
30 doz. Ketchup,	2.		

Other inventories: Real estate, estimated to be worth \$9700; Unearned premium on insurance policy, \$45.83; Office supplies on hand, \$35; Furniture and fixtures, valued at \$225; Horse and wagon, valued at \$292.50.

Unsold shipments, valued at cost as shown by the shipment ledger, \$1278.10.

CLOSING THE BOOKS

Financial statements will now be prepared and the ledger closed as of July 31. Following is the work required in the order in which it should be done.

- 1 Profit and Loss Statement, July 1–July 31, 19—. Prepared from the trial balance of July 31 and from above inventories. (Use model form on page 212.)
- 2 Balance Sheet, July 31, 19—. (Use model form on page 214.)
- 3 Closing entries, July 31, 19—. (Use model form on page 215.)
- 4 Post closing entries and balance and rule general ledger accounts.
- 5 Take a proof trial balance.

WARD & GRAY

BALANCE SHEET, JULY 31, 19—

ASSETS

Current Assets :

Cash	\$1795.60	
Notes Receivable	375.	
Accounts Receivable	3446.48	
Consignments Advances	520.	
Merchandise Inventory	2747.38	
Shipments Inventory	<u>1445.75</u>	\$10330.21

Fixed Assets :

Real Estate	\$7050.	
Horses and Wagons	250.	
Furniture and Fixtures	<u>175.</u>	7475.

Expense Items Paid in Advance :

Insurance Unexpired	\$45.68	
Office Supplies on Hand	<u>30.</u>	75.68
		<u>\$17880.89</u>

LIABILITIES AND CAPITAL

Current Liabilities :

Notes Payable	\$4000.	
Accounts Payable	<u>8217.37</u>	
Total Liabilities		\$12217.37

Capital :

Geo. Ward	Net investment	\$2652.		
	Interest on capital	13.26		
	1/2 net profit	<u>221.78</u>	\$2887.04	
A. H. Gray	Net investment	\$2542.00		
	Interest on capital	12.71		
	1/2 net profit	<u>221.77</u>	2776.48	5663.52

Total Liabilities and Capital				<u>\$17880.89</u>
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According to agreement, each partner is to receive interest on his net investment at the legal rate. This equalizes in part their investments and also makes it possible to show on the records how much of the net gain as shown by the statement is creditable to the capital itself, and how much to the handling of that capital in the conduct of the business by the firm. Find the interest on E. H. Reed's investment as shown by his account in the ledger for 31 days, the length of time it has been invested in the present business. Find the interest on Student's investment in the same manner. Enter the amounts of these interests on the debit side of the statement as shown in the form. Deduct the sum of the interests from the gain from the business, and the remainder will be the net gain. Divide this gain equally between the partners and close the statement.

Statement of Resources and Liabilities. — Make a statement of resources and liabilities of the business, using the above model as a guide.

The debit side of this statement comprises cash and the various accounts having inventories, followed by Notes Receivable, Accounts Receivable, and Consignments. Accounts Receivable includes all personal accounts showing debit balances.

The credit side of the statement contains the debts due by the firm on notes and on accounts, the latter being designated as Accounts Payable, also the present worth of the partners.

Submit your statements to your teacher for approval before closing the ledger.

Hand your books and papers to the teacher for inspection.

MODEL CLOSING ENTRIES, JULY 31, 19—

Purchases Inventory	To close inventory of July 1 to Purchases a/c	2400.	2400.
Purchases Freight-In	To transfer into Pur- chases account the cost of freight	115.30	115.30
Inventory Purchases	To bring on the books the inventory of July 31	2747.38	2747.38
Sales Purchases	To transfer the cost of sales from Purchases ac- count to Sales account	4212.22	4212.22
Sales Profit and Loss	To transfer the gross profit on sales to the Profit and Loss Account	249.05	249.05
Shipments Profit and Loss	To transfer the profit on shipments to profit and loss	130.33	130.33
Commission Charges	To close into profit and loss	122.47 23.71	146.18
Profit and Loss Salaries Insurance Office Supplies Real Estate Horses and Wagons Furniture and Fixtures	To transfer all operating expenses to profit and loss	269.32	60. 4.32 5. 150. 25. 25.
Discount on Purchases Profit and Loss	To transfer other income to profit and loss	365.68	365.68
Profit and Loss Discount on Sales Discount on Notes	To transfer other charges to profit and loss	152.40	150. 2.40
Profit and Loss Interest on Ward & Gray's Capital Geo. Ward A. H. Gray	To close profit and loss to the proprietors' ac- counts	469.52 13.26 12.71	25.97 221.78 221.77

EXERCISES

NOTE. — Accounts sales in these exercises are to be prepared on foolscap paper, properly ruled, and the trial balances and statements on loose journal paper. The forms and dates are to be supplied by the student.

1 Received from Klem & Co., Boston, to be sold on their account, 50 crates Bermuda onions; paid freight and cartage, \$5.90; sold 20 crates at \$2.60; 30 crates at \$2.50; commission, 5%; storage, \$2.50. Proceeds credited, subject to sight draft. Render account sales.

2 Received from C. L. Johnson & Company, Charlotte, to be sold on their account, 50 bbl. Baldwin apples, 75 bbl. Greening apples. Paid freight and cartage, \$16.32; sold 25 Baldwins at \$4 a bbl.; 20 at \$4.25; 5 at \$4.50; sold 50 Greenings at \$4.50; 25 at \$4.75; commission, 5%; cold storage, \$6.25; cooperage, \$1. Proceeds remitted by N. Y. draft, less exchange 50¢. Render an account sales.

3 Shipped to James Goodman & Son, Chicago, to be sold on your account, 40 crates celery at \$1.50, freight prepaid, \$7.50. Sold 10 crates at \$2.50; 24 at \$2.25; 5 at \$2; 1 crate

spoiled, no sale. Commission, 4%; guarantee, 1%; cartage, 75¢. Proceeds received by Chicago draft, less exchange 50¢. Prepare the invoice of shipment and the account sales.

4 The Empire Trading Company, Cincinnati, received from the Newman Mfg. Company, Little Falls, to be sold on commission, 100 cases, assorted prints. Freight and cartage, \$37.50, paid by the consignee. The goods were sold in four lots, as follows: 25 cases at \$24.75; 25 cases at \$25.25; 30 cases at \$25; 20 cases at \$26.25. Commission, $7\frac{1}{2}\%$; insurance, $\frac{1}{2}\%$; advertising, \$5. Advance payment by sight draft, \$150, and proceeds paid by check. Render an account sales.

5 Giglio & Segni, commission merchants, New York, received from Castelli & Pietro, Messina, Italy, to be sold on their account and risk, 100 boxes fancy oranges, 100 boxes choice lemons. The consignees paid customs duties, etc., \$57.50; freight and drayage, \$5.35. They sold the oranges at \$3.50 per box, and the lemons at \$3.25 per box. Their charges were: commission 5%, insurance \$2.50, storage \$2.25, guarantee 1%; and they remitted the net proceeds in Palermo funds, less exchange, 9.75 liras. Render an account sales in liras. (The value of a lira is 19.3 cents in United States money.)

6 Beebe & Coleman conduct a produce commission business. Each invested \$2500, and they share the gains equally. Beebe receives a salary of \$80 per month, during the five "season" months, for extra services. The withdrawals on private account are limited to \$100 a month, excepting during the "season" months, when Beebe may draw \$150 a month. The partners' personal accounts are to be adjusted annually before Dec. 31. The books are to be closed annually Nov. 30. The investment accounts are to remain stationary. Following is an abstract of the general ledger, Nov. 30, 19—, of the above firm: *Credits*. — Commission, \$4895.84; Sundry Charges, \$143.92; Accounts payable, \$146.97; W. H. Beebe, \$2500; T. R. Coleman, \$2500. *Debits*. — Furniture and Fixtures, \$575; Expense, \$1782.67; Accounts receivable, \$2652.18; Advances, \$346.26; W. H. Beebe, personal, \$1475; T. R. Coleman, personal, \$850. The cash in bank and in safe is \$2505.62; the furniture and fixtures are valued at \$525.

From the above data make a trial balance, and prepare statements of losses and gains and of resources and liabilities.

7 The statement of losses and gains of Drake & Smith, commission merchants, Dec. 31, 19—, shows the following: *Gains*. — Commission, \$3796.86; Cartage, \$312.40; Discount, \$91.54; Shipments, \$1320.06; Merchandise, \$4652.72. *Losses*. — Rent, \$1200; Salaries, \$1875; Insurance, \$63.75; Freight, \$119.26; Interest, \$31.52; Furniture and Fixtures, \$75; General Expenses, \$87.49. Rule an account form on a sheet of cap paper and show the Loss and Gain account of the above firm as it would appear after the books had been closed for the year ending Dec. 31, 19—. The partners share the gains in the proportion of Drake $\frac{3}{5}$ and Smith $\frac{2}{5}$.

8 Using the model cash book, shown on pages 196 and 197, as a guide, rule a form of cash book on loose journal paper which you think would meet the requirements of a purely commission business, where the conditions are as follows: Numerous cash payments are made for freight, cartage, and expense items; a general expense and separate freight and cartage accounts are kept; a separate ledger is kept for customers' accounts, and payments on these accounts are made chiefly in cash. Explain the advantages which you believe your form of cash book possesses over the ordinary form.

9 Assume that you have accepted a position as bookkeeper for E. A. Raschke, produce commission merchant, and, upon taking charge of the books, you find the following conditions to exist: (1) A trial balance has not been taken in several months; (2) the cash has not been balanced in over two weeks; (3) the bank pass book has not been written up for

nearly three months; (4) the books consist of a receiving book, an ordinary form of sales book, an ordinary form of cash book, and a ledger; (5) besides handling produce on consignment, the proprietor buys and sells other products on his own account.

State what steps you would take to meet the first three conditions; what changes you would recommend in the books, either in form or number or both; state what accounts you would keep in the general ledger, so that the proprietor could, by reference to it, easily and quickly determine at any time the particulars regarding his business which a commission merchant should know.

The following exercises are given for practice in schools which have adding machines.

10 Prove the charge postings to your accounts receivable accounts by listing on the adding machine, first the charge sales from your sales book, and second, the debit footings of the accounts, and comparing the footings of the two lists.

11 Prove the credit postings to your accounts receivable accounts by listing, first, the credit payments from the cash book, and second, the credit footings of the accounts, and comparing the footings of the two lists.

12 Prove the credit postings to your accounts payable accounts by listing, first, the purchases from purchases journal, and second, the credit footings of the accounts, and comparing the two footings.

13 Prove the debit postings of your accounts payable accounts by listing, first, the debit payments from the cash book, and second, the debit footings of the accounts, and comparing the two footings.

14 Prove the accounts receivable accounts by comparing the difference between the debit and credit footings of the lists obtained in exercises 10 and 11 with the balance of the accounts receivable, as shown by your statement of resources and liabilities.

15 Prove the accounts payable accounts by comparing the difference between the footings of the lists obtained in exercises 12 and 13 with the balance of the accounts payable, as shown by your statement of resources and liabilities.

QUESTIONS

- 1 In most lines of business, how are goods usually marketed?
- 2 In what other way do some producers and manufacturers dispose of their products?
- 3 Define commission business, and state how a commission merchant receives payment for his services.
- 4 Define consignor, consignee, consignment, shipments.
- 5 Describe the method of marking goods so that it may be known to what consignment they belong.
- 6 Give the rule for debiting and crediting Shipments.
- 7 Give the rule for debiting and crediting Consignments.
- 8 What is the consignment ledger, and what are the advantages of the loose-leaf method of keeping accounts with consignments?
- 9 Define advances, and state where they should be entered in the consignment ledger.
- 10 When all the goods of a consignment have been sold and the entries of sales made in the consignment ledger, how should you proceed to close the account in the consignment ledger?
- 11 What extra columns appear in the cash book of this business?
- 12 What are the advantages of having special columns in the cash book?
- 13 When should a special column be provided for an account?
- 14 How are merchandise discounts posted?
- 15 What items appear in the Shipments column on the debit side of the cash book? On the credit side?
- 16 What items should appear in the Consignments column of the cash book?
- 17 What is the object of the shipment ledger?

- 18 What special columns appear in the sales book?
- 19 How are sales from consignments indicated in the sales book?
- 20 Describe the account sales register. What accounts are posted from this book?
- 21 What is a controlling account, and what is the object of such an account?
- 22 Name the controlling accounts used in this set.
- 23 Of what ledgers are the controlling accounts in this set an abstract?
- 24 How do you prove a ledger which has a controlling account?
- 25 Is this an absolute proof of the accuracy of the work in both the ledger and the controlling account?
- 26 Where should you post the footing of the Consignments column from the credit side of the cash book?
- 27 Where should you post the footing of the Sales from Consignments column of the sales book?
- 28 How should you post the Amounts to be Posted column of the accounts sales register?
- 29 What is meant by "net proceeds"?
- 30 Give a full explanation of the Shipments account.
- 31 What result does the Shipments account show?
- 32 Explain fully the Consignments account.
- 33 What does the balance of the Consignments account show?
- 34 Why must Consignments account balance when all consignments have been disposed of?
- 35 Why does the Consignments account never show a gain?
- 36 What accounts show the profits from consignments?
- 37 What is the object of keeping a separate account with Freight In?
- 38 How should this account be closed? Why?
- 39 How may copies of business papers be quickly made?
- 40 Explain two methods of indexing ledgers and impression books.
- 41 How was the bank account kept in this business?
- 42 In what ways may detailed records of deposits be kept?
- 43 Explain how you would reconcile the bank balance.

WHOLESALE DRY GOODS BUSINESS

Wholesaling. — Buying and selling merchandise in bulk, — that is, by the dozen, gross, case, or lot, etc., — instead of by the single article, is called “wholesaling.” It is a form of business activity which is between manufacturing, or producing, and retailing, and is an important department of commerce. Some manufacturers also do a wholesale business, selling direct to the retail trade.

The wholesaler generally buys from the producer and sells to the retailer. Sometimes he buys from middlemen, called jobbers, selling agents, and commission merchants, who act as agents for others, generally manufacturers or producers. Middlemen derive their revenue or profit chiefly from commissions on sales made for others, while wholesalers obtain their revenue chiefly from sales of merchandise which they have previously bought. The principal revenue account of middlemen is “Commissions,” and that of wholesalers is “Merchandise” or “Trading Account” which represents it. Buying and selling merchandise is called “trading,” and the amount of merchandise sold during a fiscal or business period, figured at prime cost, is called the “turnover.”

While there are many lines of wholesaling, some of which have more or less special characteristics, certain forms of accounting records are used which are common to all. The dry goods business has been selected for this work, to illustrate wholesaling practices and accounting, because of its representative character, both as regards commodities and records.

Books Kept in Wholesale Business. — The books kept in a wholesale dry goods business do not differ in principle from those used in other lines of business; but most progressive houses make use of modern labor-saving forms of account keeping, including special column books, impression sales books, loose-leaf sales sheets, loose-leaf ledgers, etc., wherever practicable.

Books to Keep. — The books which you will keep in this work are the journal, sales book, cash book, purchases journal, sales journal, general ledger, sales ledger, purchases ledger, and notes receivable and notes payable books.

Journal. — On the debit side, the journal here used is provided with the following columns: Notes Receivable, Accounts Payable, General. All notes received are entered in the Notes Receivable column. The several items in this column are checked but not posted. The footing of the column is posted to the debit of Notes Receivable in the general ledger. (See Model Journal, page 220.)

When a creditor is paid by note, he is charged in the column entitled “Accounts Payable.” The several items in this column are posted to the debit of the proper accounts in the purchases ledger. The footing of this column is posted to the debit of the controlling account, Accounts Payable, in the general ledger.

Debit journal amounts other than those provided for above are entered in the General column. The several items in this column are posted to the debit of the proper accounts in the general ledger. The footing is not posted.

JOURNAL, AUGUST 1, 19—

NOTES REC.	ACCTS. PAY.	GENERAL	L.F.		GENERAL	ACCTS. REC.	NOTES PAY.
				Edward Deane has this day been admitted into partnership with Geo. W. Barnes and C. M. Lyon under conditions shown in articles of co-partnership executed on same date. The investment of each partner and the assets and liabilities of the firm are shown in the following entries, and a new set of books is opened showing the following balances.			
		5320	√	Cash in bank 5200			
				" safe 120			
3200		24800	√	Inventory			
		25900		Notes Receivable			
		15 50		Accts. Rec.			
		3000		Interest			
		13000		Furniture			
		600		Real Estate			
		250		Horses & Wagons			
				Insurance			
			√	Accts. Pay.	24500		
				Notes Payable			12000
				Interest	140 50		
				Discount	6 50		
				Geo. W. Barnes capital	15751 40		
				C. M. Lyon "	18687 10		
				Edward Deane "	5000		
				9			
	1600		√	B. Martin & Co. note at 4 m. on			
				Notes Pay. acet.			1600
				15			
845 20			√	Notes Rec. in full to date by			
				D. H. Cross & Co. 4 m. note		845 20	
				22			
345 20			√	Notes Rec. dft. at 10 da. for			
				Curtis, Hines & invoice 7/4			
				Co.		345 20	
				29			
	125 50			R. H. White & Co. R. B. p. 175			
				Returned Pur-			
				chases	125 50		
				31			
4390 40		4390 40		Notes Receivable,			13600
	1725 50	1725 50		Accts. Payable,	13600		
				Notes Payable,	1190 40	1190 40	
				Accts. Receivable,	79001 40		
		79001 40					

The journal is provided with the following columns on the credit side: General, Accounts Receivable, Notes Payable. Whenever a customer gives a note on account, he is credited with the amount of the payment in the column entitled "Accounts Receivable." The several items in this column are posted to the credit of the proper accounts in the sales ledger. The footing of this column is posted to the credit of the controlling account, Accounts Receivable, in the general ledger.

When a note is issued on account, the credit entry is made in the Notes Payable column. The footing of this column is posted to the credit of Notes Payable in the general ledger. The several items are checked but not posted.

All credit journal amounts other than those provided for above are entered in the General column. The several items in this column are posted to the credit of the proper accounts in the general ledger. The footing is not posted.

The special columns, Accts. Pay. and Notes Rec. on the debit side of the journal, and Accts. Rec. and Notes Pay. on the credit side, are footed at the end of the month, and the amounts are transferred to the General columns, and the proper ledger titles are written opposite them in the explanation column. The journal is then ruled up (see page 220).

Cash Book. — On the debit side the cash book is provided with the following columns: Sales Ledger, General Ledger, Sales Cr., Discount on Sales, Net Receipts. (See form, page 222.)

When a customer pays on account, the amount of the invoice is entered in the column, entitled Sales Ledger. If discount is allowed, the amount of the discount is entered in the column headed Discount on Sales. The amount of cash received is entered in the Net Receipts column. All cash sales are entered in Sales Cr. column. All other receipts are entered in the General Ledger column. The net amount received is entered in the Net Receipts column in every case.

Note that the sum of all credit columns is equal at all times to the sum of all debit columns.

When posting the left-hand page of the cash book, the items in the first column are posted in detail to the credit of the individual account in the sales ledger; the items in the general column are posted to the credit of the proper accounts in the general ledger. Note that these two columns are the only ones posted in detail. At the end of the month, the columns are footed and posted, as illustrated in the form, to the general ledger.

On the credit side the cash book is provided with the following columns: Purchases Ledger, General Ledger, General Expense, Discount on Purchases, and Net Payments (page 223).

This side is handled similarly to the debit side. All entries in the first three columns are debits and those in the last two are credits.

Only the first two columns are posted in detail. All other columns are posted at the end of the month as illustrated in the form.

At all times the balance of cash may be found by subtracting the Net Payments column from the Net Receipts column.

Proving Cash. — The cash may be proved at any time by comparing the total amount of cash in safe and in bank with the balance as shown in the cash book.

Purchases Journal. — This book contains a record of the invoices of goods bought. It is the ordinary form of two-column journal, one column for daily items and the other for daily and other totals. When an invoice reaches the bookkeeper, it is entered in the purchases journal. Only the date, serial number or department letter, name of the creditor, and amount of the invoice appear in this book. The serial number or department letter is next written on the invoice, and it is then posted to the proper account in the purchases ledger. The several items in the purchases journal are not posted, but the footing is posted at the end of the month

CASH DISBURSEMENTS

DATE	L.F.	ACCOUNTS DR.	EXPLANATIONS	PURCHASES LEDGER		GENERAL LEDGER	GENERAL EXPENSE	DISCOUNT ON PURCHASES	NET PAYMENTS
19— Aug.	1	Rent	August			150			150
	1	R. H. White & Co.	7/10 less 3%	400				12	388
	✓	General Expense	exchange				1 20		1 20
	3	H. W. Little & Co.	7/20 less 5%	750				37 50	712 50
	4	Notes Payable	chgd at Bk.			1420 50			1420 50
		Interest on Notes Pay.				14 21			14 21
	✓	General Expense	exchange				75		75
	6	C. W. Carter & Sons	7/6 less 2%	920 50				18 41	902 09
	8	Office Supplies	stamps, etc.			12 46			12 46
	9	Freight-In.	to date			72 50			72 50
	12	Edw. Hayes & Co.	7/12 less 5%	845 20				42 26	802 94
	15	✓ General Expense	coll. & each				2 45		2 45
		Accounts Payable (Dr.)		2915 70					
	✓	General Ledger (Dr.)				1669 7			
		General Expense (Dr.)					4 40		
		Dis. on Purchases (Cr.)						110 17	
		Cash (Cr.)							4479 60
		Balance { in safe	63.65						
		{ in bank	3812.						3875 65
									8355 25

system." The original bill is sent to the customer, the duplicate to the bookkeeper, and the triplicate is placed in a binder in the shipping department, for reference. From the duplicate, the entry is made in the sales journal, as explained above, and after the serial number has been written on the bill, the account in the sales ledger is charged from it, after which the bill is filed in a numeric binder. The duplicate bills support the records in the sales journal.

Notes Receivable and Notes Payable Books. — These books will be kept as auxiliary books; that is, a record of all notes received and issued will be kept, but no posting will be done therefrom. Some bookkeepers post the items directly from the notes receivable and notes payable books to their respective accounts, and the monthly footings to the Notes Receivable and Notes Payable accounts in the general ledger.

Ledgers. — Three ledgers are used in this work, viz., purchases ledger, sales ledger, and general ledger. The purchases ledger contains the accounts of all persons from whom goods are purchased on account. The sales ledger contains the accounts of all persons to whom goods are sold on account. Both these ledgers are provided with special columns.

The purchases ledger and sales ledger are subsidiary to the general ledger, and are connected with it by their controlling accounts, Accounts Payable, and Accounts Receivable. The difference between the sides of the Accounts Payable account in the general ledger should always agree with the difference between the sides of the purchases ledger. The difference between the sides of the Accounts Receivable account in the general ledger should always agree with the difference between the sides of the sales ledger.

The general ledger contains all the accounts of the business which are not kept in the purchases ledger or the sales ledger, together with the controlling accounts of those ledgers.

The Balance Ledger. — In this month's work you will use what is known as the "balance ledger" for the form of your purchases ledger and sales ledger. See form on page 224.

WARNER, DeFOREST & Co.,

AMSTERDAM, N.Y.

DATE	DESCRIPTION	TERMS	FOL.	DEBIT	BALANCE	CREDIT	DATE	FOL.	EXPLANATION
19—							19—		
July 1	Bal.	J	1	812 70	¹ 812 70	¹ 812 70	July 10	12	C
9	S. B.	5% 10 ds.	7	215 70	²	² 215 70	19	14	C
14	"	2/20 Net 30	9	168 70	⁴	³ 210 25	21	14	C
18	"	"	11	415 60	⁵	⁴ 168 70	23	16	C
20	"	Net 60 ds.	12	388 70		⁵ 415 60	28	18	Note 4 mos. Int.
20	"	2/10	12	412 20	³	⁶ 412 20	30	18	C
21	"	Cash	13	210 25	⁸				
26	"	Net 30 ds.	14	160 40	549 10				

The headings of the columns of the balance ledger explain their uses. The Debit and Credit columns are placed near together, with the Balance column between. This form of subsidiary ledger is specially adapted for use in any business where the terms are specific and induce or require prompt settlement of every sale or purchase. When any particular bill has been paid, instead of ruling off the items, a small figure is written opposite each of the amounts. (See model form, above.) A glance at the account shows what bills remain unpaid, and in taking a balance of the account only these amounts are considered. The balance of an account is written in the Balance column at the end of the month, and should agree with the monthly statement sent to the debtor or received from the creditor. Only the balance at the end of the current month should be included in the schedule of balances or proof of the balance ledger.

Sectional Sales Ledgers. — When it is not convenient or desirable to keep all of the accounts with customers in one sales ledger, these accounts may be divided, and each division kept in a separate or sectional sales ledger. The accounts may be divided alphabetically, geographically, or in any other way that may be desired, and the separate ledgers will be known by the accounts which they contain, as Sales Ledger A — D, Ohio Sales Ledger, City Sales Ledger, Dept. G. Sales Ledger, etc. Each sales ledger will have its own sales book or books, and may have a separate controlling account, or all of them may be controlled by the main controlling account, Accounts Receivable account.

Self-Balancing Ledgers. — A subsidiary ledger, from which a trial balance can be taken without reference to its controlling account in the general ledger, is called a *self-balancing ledger*. A subsidiary ledger may be made self-balancing by constructing in it a controlling account, and posting to that account the amounts which are posted to the controlling account in the general ledger from the original books of entry, such as the footings of the sales book or purchases book, and of the accounts receivable or accounts payable columns in the cash book. Since the items represented by the footings have been posted to the proper sides of the separate accounts in the subsidiary ledgers, these footings must be posted to the opposite sides of the controlling accounts in the subsidiary ledgers.

The advantage of the self-balancing ledger is that the assistant bookkeepers can prove their ledgers at the end of the month, or at other times, without having to refer to the general ledger, or to obtain from the head bookkeeper the balances of their controlling accounts.

The title of the controlling account in a subsidiary ledger may be the same as that in the general ledger, as Accounts Receivable, or Sales, for the sales or customers' ledger; or it may have the title *Controlling Account*, or the title *General Ledger*.

In the work for September the student will convert his purchases ledger and his sales ledger into self-balancing ledgers, by constructing a controlling account in each of these ledgers, under the title *Controlling Account*, and after posting the footings of the original books of entry to the proper controlling accounts in the general ledger, as heretofore, he will re-post these footings to the opposite sides of the controlling accounts in the subsidiary ledgers, checking the amounts posted in the usual way. The two check marks against each footing will show that the amount has been posted to both controlling accounts.

Private Ledger. — When it is desired not to have the general ledger show the capital accounts of the proprietors, and other accounts which may be considered of a private nature, these accounts are kept in a subsidiary ledger, called a "private ledger," and a controlling account, Private Ledger, is opened in the general ledger. The private ledger and the private books, which are used in connection with it, are usually kept by a member of the firm, or by the confidential man of the concern.

Accounts Kept. — The accounts kept in any business will depend chiefly upon its character and size, and the detailed information which the proprietor desires to have the books show.

It is desirable to have the number of accounts in the general ledger as few as possible, consistent with good accounting, and at the same time have proper regard for the classification and details of the business. This can be accomplished by the use of special books of original entry, and subsidiary or underlying ledgers.

Analyzing Accounts. — When more detailed information is desired regarding any phase of a business than is shown by the footings or balance of the account which it represents, this may be obtained by "analyzing the account." This is done by drawing off the items in the account on an "analysis sheet," where they are classified and entered in separate columns, headed according to the information which it is desired to obtain.

Division of Accounts. — Accounts are usually divided into three general classes; namely, Real accounts, Personal accounts, and Nominal accounts.

Real accounts are accounts which represent property or values, such as Cash, Inventory, Real Estate, etc. Personal accounts are accounts with debtors and creditors of the business, and include the capital account, which, although not a liability, represents the amount for which the business is accountable to the proprietor. Notes Payable, Notes Receivable, Mortgages Payable, Mortgages Receivable accounts are also classed as Personal accounts. Real accounts and Personal accounts are called "continuing accounts," because they are not opened or set up for any definite period.

Nominal accounts are accounts which are opened or raised for temporary purposes, and are closed at the end of a business period, such as Rent, Salaries, Insurance, Taxes, Purchases, Sales, Profit and Loss, etc.

Most nominal accounts show profits or losses, but the subdivisions of the merchandise account show "activities," namely, the trading of the business, and the main account shows the profit or loss.

Nominal accounts possess the elements of real accounts when they represent assets or liabilities, such as interest accrued and not paid, unearned insurance, and property on hand at the beginning of a fiscal period which was previously charged to nominal accounts, as office supplies, shipping supplies, etc.

Accounts to Construct. — In addition to most of the accounts with which you are already familiar, you will construct other real and nominal accounts in this business. These will be indicated and explained as they arise in the work.

The general ledger will be both opened and closed by passing the entries through the journal.

Assets and Liabilities. — The assets of a business consist of all property and rights belonging to the business which have a money value. The liabilities of a business are the amounts due to outside parties, as distinguished from its obligations to the proprietors or the stockholders. The assets and liabilities of a business may be divided into fixed assets and floating assets, fixed liabilities and floating liabilities.

Fixed assets are the permanent assets which are necessary for conducting the business, such as the furniture and fixtures of a store, plant and machinery of a factory, office equipment, etc. *Floating or current assets* are the assets which are constantly changing in quantity and value as the result of the operations of the business, such as cash, merchandise, notes receivable, accounts receivable, supplies, etc. These assets may be sold or realized without interfering with a business or its operations. Floating assets are also called *circulating* assets. Floating assets which consist of cash, or can be readily converted into cash, such as checks, demand notes, securities which have a ready market, are called quick assets; also called *liquid* assets.

Fixed liabilities include obligations which are not payable for a long time, such as mortgages, mortgage bonds, etc., and are liens on some of the fixed assets. *Floating or current liabilities* are the claims of creditors which will have to be met within a short time, as notes payable, accounts payable, interest accrued but not due, etc. Liabilities which are not absolute, but which may come into existence as the result of the happening of some events, are called *contingent* liabilities.

PRELIMINARY WORK

AUGUST 1, 19—

You have entered into partnership this day with Henry W. Taylor and Clark F. Wood, who have been conducting a wholesale dry goods business under the name of Taylor & Wood. The name of the new firm will be Taylor, Wood & Co., and its purpose will be to purchase and develop the business of the firm of Taylor & Wood.

In accordance with the Articles of Copartnership, which were drawn up in triplicate by an attorney, and executed this day by the partners, the partnership is to continue five years, unless sooner dissolved by mutual consent of the partners.

You are to invest \$2500 cash in the business, and Mr. Taylor and Mr. Wood are to invest their respective interests in the business of Taylor & Wood, as they appear on the books of that firm when closed as of July 31, 19—.

The new firm is to take over the assets, and to assume the liabilities of the old firm at their book values.

By "book values" is meant the balances of the accounts as shown by the ledger, no allowances being made for possible failure of debtors to pay in full, nor for depreciation of property.

The partners are to be allowed salaries, monthly, for their services, as follows: Taylor, \$150; Wood, \$125; yourself, \$175.

The books are to be closed annually, as of July 31, during the life of the partnership, and at the termination of the same.

At the time of closing the books, each partner shall receive interest at 6% on his investments. No member of the firm shall draw to exceed \$250 per month for his personal use.

The profits and losses of the business are to be shared equally by the partners.

No. 1 This cash represents your investment, which you will turn over to the business by placing it in the Cash Drawer. The proper record will be made when the books are opened. Place the notes receivable on hand in the Cash Drawer also.

The assets and liabilities of the firm of Taylor & Wood, at the close of business July 31, 19—, and the interests of the partners are shown by their Balance Sheet and supporting schedules which are given below and on page 228.

BALANCE SHEET

TAYLOR & WOOD, July 31, 19—

ASSETS

Cash in Commercial Bank,	\$ 5860.	
Notes Receivable per schedule No. 3,	2102.45	
Interest, accrued on above	17.24	
Accounts Receivable per schedule No. 1,	20442.75	
Inventory, merchandise " " No. 5,	26609.96	
Shipping Supplies " " No. 9,	292.07	
Office " " No. 8,	169.31	
Insurance, unearned premiums,	275.	
Horses and Wagons per schedule No. 7,	750.	
Furniture and Fixtures " " No. 6,	2500.	
Real Estate, flat #74 Chestnut St.,	12000.	
Total assets,		\$71018.78

LIABILITIES

Notes Payable per schedule No. 4,	\$10500.	
Interest, accrued on above,	128.25	
Accounts Payable per schedule No. 2,	19264.69	
Total liabilities,		\$29892.94
Net assets,		\$41125.84

Capital

H. W. Taylor capital a/c,	\$16431.95	
C. F. Wood " " "	24693.89	
Present worth,		\$41125.84

SCHEDULE 1. ACCOUNTS RECEIVABLE, per Sales Ledger

Harris & Smith, 139 Main St., City,	\$4577.94
Brown & Wilson, Troy,	1324.11
Jas. H. Wood & Son, Newton,	1016.42
L. H. Parker, Lima,	1203.86
Sibley & Co., Gardner,	2943.01
W. B. Snow, Akron,	536.88
Ingham & Case, Alton,	66.35
B. C. Wiley, Waverly,	122.44
J. G. Smith, Ottawa,	914.13
W. O. Harrison, Randolph,	1682.12
Lewis W. Chase, Jackson,	3695.42
Carlton, Sons & Co., Dansville,	2360.07
	<u>\$20442.75</u>

SCHEDULE 2. ACCOUNTS PAYABLE, per Purchases Ledger

Sibley, Lindsay & Curr Co., New York,	\$10184.23
Burke, Fitz Simons, Hone & Co., Boston,	2837.90
Gimbel Bros., Philadelphia,	4628.71
Granite Mills, Fall River, Mass.,	904.85
Little Falls Woolen Co., Little Falls, N. Y.,	709.00
	<hr/> \$19264.69

SCHEDULE 3. NOTES RECEIVABLE

Note of C. F. Jenkins for \$407.32, dated May 18, payable at First National Bank, Marietta, Ohio, drawn at 3 months with interest, at 6%.

Note of Wilson & Randolph for \$654.90, dated June 14, payable at Merchants Bank, Buffalo, N. Y., drawn at two months with interest, at 6%.

Note of Warren & Co. for \$325.00, dated July 23, payable at Traders Bank, Scranton, Pa., drawn at sixty days without interest.

Note of Isaac Holman & Sons for \$715.23, dated June 1, payable at Second National Bank, Newark, N. J., drawn at three months with interest, at 6%.

Interest accrued on the above, \$17.24.

SCHEDULE 4. NOTES PAYABLE

Note in favor of Commercial Bank for \$10000, dated May 20, drawn at four months with interest, at 6%.

Note in favor of Little Falls Woolen Co. for \$500, dated April 24, drawn at four months with interest, at 6%.

Interest accrued on the above, \$128.25.

When a legal change is made in the ownership of a business it marks the end of a current period, and the books must be closed for that period. When such a change does not permanently interrupt the progress of the business, it is customary to continue the use of the old books. Sometimes, however, advantage is taken of such a situation to effect a partial or complete change in the system of records and accounts. In this work, it will be assumed that a new set of books is opened, and an improved system of accounts is installed.

Opening the Books. — You will now frame an opening entry in the journal to represent the assets and liabilities of the business, and the investments of the partners. The assets which Mr. Taylor and Mr. Wood have contributed, and their net capital, together with the liabilities assumed by the new firm, are shown in the balance sheet of Taylor & Wood and the accompanying schedules, given on page 227 and above. Your investment is the amount of the cash in safe. (See form of opening journal entry, page 220, and note carefully all of the details.) Inventory account will represent the merchandise inventories in this work.

Supporting Records. — You will note that the opening entry in the journal contains only the several items which represent the assets and liabilities.

Make an entry in the cash book, and on the stub of the check book, for the cash in bank. Enter the cash which you have invested, writing for explanation, *investment per J*, and check the entry, as the credit to your account will be posted from the journal. These entries support the record in the journal. Rule off the journal. (See page 220.)

Enter the notes receivable and notes payable as per schedules, in notes rec. and pay. books.

Open accounts in the general ledger and post the opening journal entry. Allow one-third of a page to each account. Open the partners' capital accounts on page 1, and leave

page 2 for their personal or drawing accounts, to be opened later. For explanation write *Inventory*, for accounts with furniture and fixtures, horses and wagons, interest, real estate, insurance, and shipping supplies. For all others, excepting *Inventory* account, write *balance*. No explanation is necessary for the *Inventory* account.

Arrange an index for the three ledgers on the index pages of blank No. 2, and index your general ledger accounts.

Open accounts in the sales ledger as per schedule of accounts receivable, and enter the balances. Allow one-fourth of a page to each account. Index the accounts.

Open accounts in the purchases ledger as per schedule of accounts payable, and enter the balances, allowing one-third of a page to each account. Index the accounts.

You have now completed the opening of the books, and the general ledger shows the assets and liabilities of the business and the capital or investment of the partners. The purchases and sales ledgers show the accounts with creditors and debtors in detail, and support the controlling accounts in the general ledger.

Test the accuracy of your work by taking a trial balance of the general ledger, and a proof of each of the other ledgers. Carry the amount of cash from the cash book to your trial balance. Compare the footing of the balances of the purchases ledger with the balance of *Accts. Payable* account, and the footing of the balances of the sales ledger with the balance of the *Accts. Receivable* account, to see if they agree.

The books are now in proper form to receive the records of the current business.

TRANSACTIONS

AUGUST 1

No. 2 Invoice of W. O. Harrison, Randolph, being overdue, draw a sight draft on him for the amount, \$750. On the back of the draft make indorsement as follows:

Pay to the Commercial Bank, or order,
Taylor, Wood & Co.,
Per (Your name).

(Sign the firm name to all vouchers, per your own name.)

Place the draft in Vouchers for Others, or leave it at the bank for collection.

No. 3 Give a check for the amount of this bill, from Tower Mfg. and Stationery Co. (Place the bill in your Voucher File.)

No. 4 Make a bill for this order from B. C. Wiley, and enter in sales book. Note the terms. Your teacher will assign you a price list from the lists on pages 230, 231.

Indicate on the bills how the goods were shipped, using the names of the railroad transportation companies, and express companies which operate through your city or town; as, *Wabash R.R., Merchants Despatch, American Exp., etc.*

The orders in this work provide excellent practice for students who are proficient with the typewriter, and the bills may be made on the machine instead of with the pen, at the option of the teacher.

Terms, 6% 10 days, 5% 30 days. 5 pcs. Monument cotton, 62, 59, 58, 64, 63½ yds. 2 pcs. creton plaid, 41, 38 yds. 3 pcs. French crepon, 36, 40, 37 yds. 5 pcs. wash silk, 48½, 49, 51, 52, 51½ yds. 2 pcs. Duchess satin, 48, 51 yds. 10 doz. lace.

In the dry goods business there are two kinds of terms for different classes of goods — regular and net; and no bills are to run more than sixty days, unless they are "X" bills or carry post datings. An

PRICE LISTS FOR

		1	2	3	4	5	6	7	8	9	10
1. Amoskeag Denim	yd.	.12 ²	.25	.13	.24 ²	.23 ²	.24	.14	.23 ²	.14 ²	.23
2. Blk. Venetian	"	1.25	1.37	1.24	1.36	1.23	1.35	1.22	1.34	1.21	1.33
3. Blue Flannel	"	.37	.24 ²	.36 ²	.25	.26	.25 ²	.35 ²	.26	.35	.26 ²
4. Broadcloth	"	4.13	4.01	4.14	4.02	4.15	4.03	4.16	4.04	4.17	4.05
5. Creton Plaid	"	.12 ²	.12 ⁷ / ₈	.12 ³	.12 ⁵ / ₈	.12 ¹	.12 ³ / ₈	.12 ¹ / ₈	.13 ¹ / ₈	.13 ⁷ / ₈	.13 ³
6. C. Lining	"	.07 ²	.07 ³ / ₈	.07 ¹	.07 ¹ / ₈	.07 ³ / ₈	.07 ⁵ / ₈	.07 ⁷ / ₈	.08 ¹ / ₈	.08 ³ / ₈	.08 ¹
7. Cashmere	"	.60	.58	.62	.56	.64	.54	.66	.52	.68	.50
8. Coates Thread	doz.	.55	.54	.36	.53	.37	.52	.35	.51	.38	.50
9. Duchess Satin	yd.	2.00	1.95	1.90	1.98	1.96	1.94	1.92	1.88	1.86	1.84
10. Fruit of Loom Sheeting	"	.08 ²	.08 ¹	.09 ²	.08 ³	.09 ¹	.09 ³	.10 ¹	.07 ³	.10 ²	.07 ¹
11. French Crepon	"	1.75	1.77	1.73	1.79	1.71	1.81	1.69	1.83	1.67	1.85
12. Kersey, 54 in.	"	1.15	1.16	1.34	1.17	1.33	1.18	1.35	1.19	1.32	1.20
13. Monument Unblehd. Cotton	"	.06 ²	.06 ¹ / ₈	.06 ¹	.06 ³ / ₈	.06 ³ / ₈	.06 ⁵ / ₈	.06 ⁷ / ₈	.05 ⁷ / ₈	.05 ¹ / ₈	.05 ¹
14. Oxford Gray Homespun	"	1.00	1.05	1.10	1.02	1.04	1.06	1.08	1.12	1.14	1.16
15. Plain French Poplin	"	1.20	1.18	1.22	1.16	1.24	1.14	1.26	1.12	1.24	1.10
16. Pique Muslin	"	.15 ²	.15 ³	.14 ²	.15 ¹	.14 ³	.14 ¹	.13 ³	.16 ¹	.13 ²	.16 ³
17. Smoked Pearl Buttons	gro.	.75	.77	.73	.79	.71	.81	.69	.83	.71	.85
18. Surah Silk	yd.	.48	.50	.46	.52	.44	.54	.42	.56	.40	.58
19. Sateen	"	.10 ²	.10 ¹	.10 ³	.10 ¹ / ₈	.10 ³ / ₈	.10 ⁵ / ₈	.10 ⁷ / ₈	.09 ⁷ / ₈	.09 ¹ / ₈	.09 ³
20. Storm Serge, Navy Blue	"	.75	.73	.77	.71	.79	.69	.81	.67	.83	.65
21. Talbot Flannel	"	.27	.28	.39	.29	.38	.30	.37	.31	.36	.32
22. Torchon Lace	doz.	.65	.70	.75	.80	.66	.71	.76	.67	.72	.77
23. Velveteen (248)	yd.	.35	.25	.34	.26	.33	.27	.32	.28	.31	.29
24. Whipcord	"	1.10	1.05	1.00	.95	1.09	1.04	.99	1.08	1.03	.98
25. Wash Silk	"	.50	.60	.51	.59	.52	.58	.53	.57	.54	.56
26. Corduroy	"	.75	.74	.63	.73	.64	.72	.65	.71	.66	.70

NOTE. — Where fractions are not expressed in full in the price lists, fourths are understood.

"X" bill is a bill on which an extension of time is allowed, usually sixty days beyond the time allowed by the usual terms. A post-dated bill is a bill which is dated ahead, after the delivery of the goods. Goods (subject to post-dating) delivered after December 1, carry April 1 dating, 2%, 10 days net.

Regular terms are 5% 30 days (expressed 5/30) and 6% 10 days. Net terms are 2% 10 days and 1% 30 days.

If a regular bill is paid in thirty days, 5% discount will be allowed from the amount of the bill; and, if paid in ten days, 6% will be allowed. If a net bill is paid in ten days, 2% will be allowed, and if paid in thirty days, 1%. Extra and post-dated bills are subject to but one discount, namely, 2/10.

In this work, the terms will be given for each sale.

Before an order is sent to the shipping department to be filled it is passed or approved by the credit department, and the approval is indicated on the order, usually by means of a rubber stamp containing the date, the word Approved, and the initials of the credit man or of his assistant who approved the order.

Only the actual goods shipped are billed, and the bills are made out from the shipping records or order sheets, which show the quantities shipped, the routing of the goods, etc. When an order is not filled complete, owing to lack of stock, the unshipped items are indicated on the shipping record or order sheet. These unfilled parts of orders are known as "back orders" or "B O's." The unshipped items are indicated by the letter T (transfer) placed before each item. Back orders are handled the same as regular orders when the goods required to fill them are in stock.

It will be assumed that all out-of-town orders are shipped by freight under straight bills of lading made out by the shipping clerk, unless otherwise stated, and that all freight, both inward and outward, is hauled in the firm's wagons.

Freight companies, unlike express companies, do not call for or deliver goods. Therefore, all freight packages must be hauled to and from the freight houses of the freight transportation companies.

DRY GOODS BUSINESS

	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
1.	.15	.22 ²	.15 ²	.22	.21 ²	.16	.16 ²	.21	.17	.20 ²	.17 ²	.20	.18	.19 ²	.18 ²
2.	1.20	1.32	1.19	1.31	1.18	1.30	1.17	1.29	1.16	1.28	1.15	1.27	1.14	1.26	1.13
3.	.34 ³	.27	.34	.27 ²	.28	.33 ²	.33	.28 ²	.32 ²	.29	.32	.29 ²	.31 ²	.30	.31
4.	4.18	4.06	4.19	4.07	4.20	4.08	4.21	4.09	4.22	4.10	4.23	4.11	4.24	4.12	4.25
5.	.13 ³	.13 ²	.13 ³	.13 ¹	.11 ⁷	.11 ¹	.11 ³	.11 ¹	.11 ³	.11 ³	.11 ²	.10 ³	.10 ³	.10 ³	.10 ²
6.	.08 ³	.08 ³	.08 ³	.08 ²	.09 ¹	.09 ²	.09 ¹	.09 ³	.09 ³	.09 ³	.09 ²	.10 ¹	.10 ¹	.10 ³	.10 ²
7.	.70	.59	.61	.57	.63	.55	.65	.53	.67	.51	.69	.73	.72	.74	.71
8.	.39	.49	.40	.48	.41	.47	.42	.46	.43	.45	.44	.40	.38	.39	.42
9.	1.82	1.80	1.78	1.76	1.75	1.74	1.72	1.70	1.68	1.62	1.64	1.56	1.58	1.66	1.60
10.	.10 ³	.07 ¹	.11 ¹	.08 ¹	.11 ²	.08 ²	.11 ³	.08 ³	.09 ³	.09 ¹	.09 ²	.10 ¹	.10 ³	.10 ²	.07 ³
11.	1.65	1.76	1.74	1.78	1.72	1.80	1.70	1.82	1.68	1.84	1.66	1.62	1.63	1.61	1.64
12.	1.31	1.21	1.30	1.22	1.29	1.23	1.28	1.24	1.27	1.25	1.26	1.30	1.32	1.31	1.28
13.	.05 ³	.05 ²	.05 ³	.05 ³	.07 ¹	.07 ¹	.07 ¹	.07 ³	.07 ³	.07 ³	.07 ²	.08 ¹	.08 ¹	.08 ³	.08 ²
14.	1.18	1.20	1.22	1.24	1.25	1.26	1.28	1.30	1.32	1.38	1.30	1.44	1.42	1.34	1.40
15.	1.22	1.08	1.24	1.06	1.26	1.04	1.28	1.02	1.30	1.21	1.29	1.23	1.27	1.25	1.05
16.	.13 ¹	.16 ³	.12 ³	.15 ³	.12 ²	.15 ²	.12 ¹	.15 ¹	.14 ¹	.14 ³	.14 ²	.13 ³	.13 ¹	.13 ²	.16 ¹
17.	.73	.87	.71	.89	.69	.91	.67	.93	.65	.74	.66	.72	.68	.70	.90
18.	.47	.57	.45	.55	.43	.53	.41	.51	.60	.39	.38	.37	.63	.61	.62
19.	.09 ¹	.09 ³	.09 ³	.09 ²	.08 ³	.08 ¹	.08 ³	.08 ¹	.08 ³	.08 ³	.08 ²	.07 ³	.07 ³	.07 ³	.07 ²
20.	.76	.66	.78	.68	.80	.70	.82	.72	.63	.84	.85	.86	.60	.62	.61
21.	.35	.33	.34	.26	.41	.25	.42	.24	.43	.39	.34	.29	.43	.37	.28
22.	.68	.73	.78	.69	.74	.79	.81	.87	.82	.86	.83	.85	.84	.72	.69
23.	.30	.36	.50	.37	.49	.38	.48	.39	.47	.40	.46	.41	.45	.42	.44
24.	1.07	1.02	.97	1.06	1.01	.96	.94	.88	.93	.89	.92	.90	.91	1.03	1.06
25.	.55	.49	.35	.48	.36	.47	.37	.46	.38	.45	.39	.44	.40	.43	.41
26.	.67	.69	.68	.76	.61	.77	.60	.78	.59	.63	.68	.73	.59	.65	.74

For example: 12² means 12½; .07³ means .07¾; .10¹ means .10¼.

AUGUST 3

No. 5 Your traveling man, H. R. Judson, draws \$200 cash for expenses

AUGUST 4

No. 6 Give check to C. H. Garfield, Agt., \$300, for rent for August.

No. 7 Sold to Geo. M. Walker, City, for check, 1 piece Oxford gray homespun, 50 yd. 3 pcs. storm serge, 43, 45, 46 yds. 1 piece Duchess satin, 50 yds. 3 pcs. surah silk, 49½, 41½, 43 yds.

• Make entry in the cash book, crediting *Sales* in special column. Enter sale in sales book, and extend total into Cash column; check the entries.

No. 8 Check from L. H. Parker in full of invoice of July 18, \$826.30, less 2% discount.

Enter on the debit side of the cash book as follows: \$826.30 in Accounts Receivable column, amount of discount in Discount on Sales column, and amount of check in Net Receipts column.

No. 9 Deposit cash \$2000, and checks of L. H. Parker and Geo. M. Walker.

You will keep your bank account on the stub of your check book, the same as you did in the Commission Business.

AUGUST 6

No. 10 Make a check in favor of Little Falls Woolen Co. for invoice of July 15, \$409, less discount 5%.

Enter on the proper side of the cash book as follows: \$409 in Purchases Ledger column, amount of discount in Discount on Purchases column, and amount of the check in Net Payments column.

No. 11 Note from W. B. Snow, in payment of balance due Aug. 1.

No. 12 Discount Snow's note at the Commercial Bank, and receive credit for the proceeds.

Find the interest on \$536.88 for the full time, and add it to the face of the note; then find the discount to maturity on that amount. Enter the full amount of the note in the General Ledger column, the discount allowed in the Discount on Sales column, and the net proceeds in the Net Receipts column. Make a separate entry for the interest on the note, placing the amount in General and Net Receipts columns. Place a star (*) in front of the discount in the Discount on Sales column so as to distinguish it from the sales discounts when analyzing this column at the end of the month. (See model form of cash book.) Add the proceeds to your bank balance on the left stub of the check book. If there is no bank, make the entry yourself in your bank pass book, and place the note in Vouchers for Others.

Remember to make proper explanation of these entries to support the record in the check book.

No. 13 This is what is known as a shipper's order (freight C.O.D.). Bill the goods to Ingham & Case in the usual way. Note the terms. 4 pcs. Talbot flannel, 44, 40, 45, 47 yds. 2 pcs. storm serge, 48, 42 yds. 4 pcs. corduroy, 40½, 49, 47½, 39 yds. 2 pcs. surah silk, 43½, 46½ yds.

No. 13 a. Make a sight draft in favor of the Union National Bank for the amount of your bill, pin it to the order bill of lading, and send it to the Union National Bank. (Place in Vouchers for Others.)

For various reasons it is often desirable to make the collection of the purchase price before the goods are delivered to the customer. Such shipments by express are sent C.O.D., and by freight, subject to shipper's order. It is customary to collect in this manner when the credit of the customer is limited, or has not been fully investigated.

Returns on freight C.O.D.'s, or shippers' orders, are usually made by bank draft which is issued and remitted by the bank to whose order the goods were consigned.

When a shipment is made by express C.O.D., the returns are received in currency or by express money order, or express check. If the shipment is handled by more than one express company, the returns are made in currency, which is placed in the original C.O.D. envelope and delivered to the shipper by the express company which first received the goods. On straight C.O.D.'s, that is shipments which are handled by only one express company, the returns are made by express money orders, or special express C.O.D. checks, and these are sent through the mail in the original C.O.D. envelopes direct to the shippers. These money orders and checks can be cashed at the offices of the express companies, which issue them, or they may be deposited in the bank. Except by special agreement between shipper and consignee, which must be noted on the C.O.D. envelope accompanying the shipment, express companies will not accept payment for C.O.D. shipments in any form other than currency.

Goods shipped by express may be put up in paper packages, or inclosed in boxes, at the option of the shipper; but if shipped by freight, they must be boxed, baled, or crated, unless in car load lots, or the nature of the goods is such that they can be handled and transported without being damaged.

No. 14 Invoice, Burke, Fitz-Simons, Hone & Co. Check the items, O. K. the bill, and record it in the purchases journal. Note the terms.

After the invoices have been recorded in the purchases journal they should be filed in such a way that reference can be readily made to them. Invoices may be filed in the order in which they are passed by the bookkeeper, by serial number or department letter, or arranged in sections according to departments, or to the names of the creditors. There are various ways in which invoices may be filed and indexed; sometimes they are filed so that the printed name of the creditor is presented to view. A better way, however, is to fold the invoice and index the name of the creditor and the date on the upper edge of the back. The filing should of course be done in alphabetical order.

No. 15 Check from Jas. H. Wood & Son in payment of invoice of July 28, \$550, less 2% discount. (Enter as in No. 8.)

No. 16 Mr. Taylor draws \$200 cash for his private use.

No. 17 Pay freight bill, \$4.36, in cash.

Transportation companies usually require that freight charges be paid before the goods can be removed from the freight house, but frequently arrangements are made whereby this requirement is waived, and the freight charges are paid after the removal of the goods.

In the absence of an agreement, the transportation charges are paid by the purchaser.

Payments for freight and cartage on goods bought are properly chargeable to Purchases, as these items increase the cost of the goods. Since, however, we want to know both the first cost of the goods and the freight paid on them, we charge Purchases for the invoice price from the purchases journal, and construct (open) a Freight In account, and charge all payments made on inbound freight to that account from the cash book. The amount or balance of Freight In account will be added to Purchases at the end of the business period.

Some bookkeepers add the freight to the invoice, and include the amount in the monthly posting to Purchases from the purchases journal.

AUGUST 8

No. 18 Check from J. G. Smith in full of account to Aug. 1.

No. 19 Deposit the checks on hand.

No. 20 Pay Sibley, Lindsay & Curr Co. for invoice of July 28, \$3200. Deduct 5% discount, and write a check for the net amount.

AUGUST 10

No. 21 Cash sales. Perkins & Brown, 50 doz. Torchon lace. 40 gross smoked pearl buttons.

Carroll & Marsh, 1 piece whipcord, 50 yds. 1 piece plain French poplin, 40 yds.

Strong & Carlisle (check), 3 pieces black Venetian cloth, 36, 38, 40 yds. 2 pcs. broadcloth, 55, 59 yds. (See No. 7.)

Remember to prove the cash daily, and to keep your books posted to date.

AUGUST 11

No. 22 Check from B. C. Wiley for invoice of July 15, \$122.44, less 1% discount.

No. 23 Two pieces, 43 and 38 yds., of the French crepon received from Burke, Fitz-Simons, Hone & Co. on the 6th inst. are found to be damaged. Return the two pieces to them, billing at cost price. Write a letter and inclose the bill.

Enter in the journal, debiting Burke, Fitz-Simons, Hone & Co. in Accounts Payable column, and crediting *Purchase Returns* in the General column. For explanation write *Returned Purchases*, page —.

In this work merchandise returned by us will be credited to the Purchase Returns account, and goods returned to us charged to Returned Sales.

Separate books, called Return Books, are generally kept for detailed records of goods returned, and the entries in these books are transferred to the journal in the form given above. The accounts Purchase Returns and Returned Sales are subsidiary to the Purchases and Sales accounts, and are offsets to those accounts.

Forwarding. — When a page of the journal, sales book, sales journal, or cash book is about full, rule a red line across the dollar and cent columns on both sides and foot all the columns. Place the footings on the first blue line below the red line, with the word "Ford." in the explanatory space. Transfer the footings to the first blue line at the top of the following page, writing "Brot. Ford." on the same line in the explanatory space.

AUGUST 12

No. 24 Note received from Brown & Wilson on account. (Notes Receivable and Accounts Receivable columns in journal.)

No. 25 Pay, by check, invoice of Gimbel Bros., July 15, \$1250, less 1%.

No. 26 Cash sales. National Emporium, 5 pcs. wash silk, $47\frac{1}{4}$, $49\frac{1}{2}$, 53, 54, $46\frac{1}{4}$ yds. 2 pcs. cashmere, 41, 39 yds.

Sherman & Co., 2 pcs. French crepon, 43, 37 yds. 6 pcs. No. 248 velveteen, 40, 45, 36, 38, 45, 46 yds.

AUGUST 13

No. 27 Ten shares of Wamsutta Mills stock is offered at private sale at \$105 per share, to close an estate, and the firm has decided to purchase the stock as an investment. Give J. L. White, Trustee, a check for the amount of the stock, and place the stock certificate in Voucher File. (*Wamsutta Mills Stock*, General column of cash book.)

When stocks and bonds are purchased for investment by a mercantile or manufacturing concern, an account may be constructed to represent each class or kind of security; as *Stocks*, *Bonds*, *American Locomotive Preferred*, *U.S. Steel Common*, *Baltimore & Ohio Gold 4s*, or a *Securities* account may be constructed to represent all such investments.

No. 28 Check received from Sibley & Co. in payment of invoice of July 20, \$1540, less 1% discount.

No. 29 The bank has collected your draft of the 1st inst. on W. O. Harrison, \$750.

AUGUST 14

No. 30 Check from Wilson & Randolph for note and interest due to-day. Consult your bill book and mark the note paid.

No. 31 Salesman's orders. Note the terms.

Thompson & Bulkeley, Easton, 6 pcs. Fruit of Loom sheeting, 58, 60, 55, 64, 66, 58 yds. 8 pcs. Monument cotton, 54, 58, 68, 62, 55, 65, 63, 60 yds. 50 doz. Coates thread. 5 pcs. wash silk, $48\frac{1}{2}$, $50\frac{1}{4}$, 52, $48\frac{1}{4}$, 55 yds.

James H. Wood & Son, Newton, 6 pcs. pique muslin, $68\frac{1}{2}$, 66, 74, 75, 71, $70\frac{1}{2}$ yds. 4 pcs. broadcloth, 57, 65, 66, 51 yds. 2 pcs. Creton plaid, 40, 42 yds. 25 doz. torchon lace.

Brown & Wilson, Troy, 5 pcs. sateen, $48\frac{1}{2}$, $47\frac{3}{4}$, 50, $46\frac{3}{4}$, 50 yds. 5 pcs. Crown lining, 52, 58, 53, 55, 57 yds. 25 doz. Coates thread.

C. H. Roberts, Westboro, 3 pcs. kersey, 54 in., 45, 48, 43 yds. 20 gross smoked pearl buttons.

No. 32 Invoice of merchandise purchased of the Little Falls Woolen Co.

No. 33 Mr. Wood withdraws \$225 cash for private use. (See No. 16.)

No. 34 Pay Sibley, Lindsay & Curr Co., by check, for invoice of July 14, \$904.85, less 1% discount.

No. 35 Deposit cash, \$200, and all checks.

AUGUST 15

No. 36 Pay cash for office supplies, stamps, etc., \$18.60. Shipping clerks and porters, \$70. Office help, \$100.

Shipping Dept. Salaries account represents a selling expense, and Office Salaries account an administrative expense.

No. 37 Invoice of merchandise from Sibley, Lindsay & Curr Co.

No. 38 Check from Carlton, Sons & Co. for the net amount of invoice of July 16.

No. 39 Make your check in favor of Little Falls Woolen Co., for invoice of July 29, \$300, less 2% discount.

AUGUST 17

No. 40 This remittance is for proceeds of the draft of the 6th inst. on Ingham & Case, sent to the Union National Bank for collection.

No. 41 Cash sales. Geo. M. Walker, City, 50 gross smoked pearl buttons. 1 piece Duchess satin, 48 yds.

H. W. Johnson & Son, City, 1 piece plain French poplin, 50 yds. 1 piece Oxford gray homespun, 48 yds.

No. 42 Pay freight to date on goods received per agent's request, by check, \$13.04. (See No. 17.)

AUGUST 18

No. 43 Check from C. F. Jenkins for note and interest due to-day.

No. 44 Invoice of merchandise purchased from Granite Mills.

No. 45 Check from Harris & Smith on account. (No discount.)

No. 46 Deposit all checks and the bank draft.

No. 47 Draw \$100 in cash for your own private use.

No. 48 Remit Burke, Fitz Simons, Hone & Co. check in payment of invoice of July 22, \$2837.90, less 1% discount.

AUGUST 19

No. 49 Pay freight bill in cash, \$1.19.

No. 50 W. O. Harrison is unable to settle his account at present, and it has been decided to take his note, with interest, for the balance due from him, \$932.12.

No. 51 Pay cash for 1 ton hay and 5 bu. oats for stable, \$13.50.

AUGUST 20

No. 52 Memorandum order from J. G. Smith. 8 pcs. denim, 38 $\frac{1}{4}$, 39, 41 $\frac{1}{2}$, 46, 35, 37 $\frac{3}{4}$, 35, 42 yds. 7 pcs. sateen, 48, 45, 46 $\frac{3}{4}$, 50, 49 $\frac{1}{2}$, 51 $\frac{3}{4}$, 49 yds. 5 pcs. sheeting, 60, 62, 65, 55, 59 yds. 8 pcs. Crown lining, 52, 55, 54, 56, 60, 51, 58, 50 yds. 4 pcs. Duchess satin, 48 $\frac{1}{2}$, 49 $\frac{1}{4}$, 52, 50 yds. 4 pcs. blue flannel, 50, 48, 49, 54 yds. 10 gross buttons.

No. 53 Salesman's order from L. W. Chase. 5 pcs. denim, 38 $\frac{1}{2}$, 41, 42, 37 $\frac{1}{2}$, 43 yds. 4 pcs. blue flannel, 51, 47, 55 $\frac{3}{4}$, 46 $\frac{3}{4}$ yds. 3 pcs. cashmere, 39, 41, 42 yds. 8 pcs. Fruit of Loom sheeting, 58, 60, 60, 61, 57, 63, 65, 55 yds. 7 pcs. pique muslin, 68, 72, 75, 70, 65, 68, 70 yds.

No. 54 Give Sibley, Lindsay & Curr Co. your note at 20 days (no interest), \$2500.

No. 55 Pay Granite Mills, by check, for invoice of July 21st, \$904.85, less 5%.

No. 56 Purchase of merchandise from Gimbel Bros.

AUGUST 21

No. 57 One piece of kersey, $46\frac{1}{2}$ yds., received on the 20th inst. from Gimbel Bros. is damaged. Return it, and render your bill for the same at cost price. (Enter as in No. 23.)

No. 58 Check from Warren & Co., to prepay their note of \$325, less discount to maturity. Mark the note prepaid in the notes receivable book.

Make proper explanations of the entries in the above transaction.

No. 59 Salesman's orders. Brown & Wilson, Troy, 2 pcs. Talbot flannel, 45, $42\frac{3}{4}$ yds. 2 pcs. whipcord, $40\frac{1}{2}$, $43\frac{3}{4}$ yds. 5 pcs. Monument cotton, 58, 63, 65, 60, 62 yds. 6 pcs. denim, 38, 43, 37, 44, 40, 36 yds.

Sibley & Co., Gardner, 2% 10 days, 1% 30 days, 6 pcs. Fruit of Loom sheeting, 60, 63, 55, 58, 65, 61 yds. 2 pcs. corduroy, 40, $34\frac{1}{2}$ yds. 2 pcs. black Venetian cloth, 38, $33\frac{1}{2}$ yds. 50 doz. Coates thread.

B. C. Wiley, Waverly, 6% 10 days, 5% 30 days, 3 pcs. Oxford gray homespun, 48, 50, $51\frac{3}{4}$ yds. 4 pcs. cashmere, 36, $38\frac{1}{2}$, 42, $43\frac{1}{2}$ yds. 7 pcs. Crown lining, 50, 54, 58, 52, 55, 51, 57 yds. 6 pcs. sateen, 45, 50, 49, 53, 48, 49 yds. 50 doz. lace.

AUGUST 22

No. 60 Check from Jas. H. Wood & Son for invoice of July 21, \$466.42, less 5%.

No. 61 Pay freight bill in cash, \$4.58.

AUGUST 24

No. 62 Note from Lewis W. Chase on account.

No. 63 Draw a sight draft on Brown & Wilson for invoice of July 15, \$504.11, and leave it at the bank for collection.

No. 64 Make a check in favor of Little Falls Woolen Co., in full for your note and interest due to-day. Write them a letter and inclose the check.

No. 65 Remit Gimbel Bros. check for invoice of July 29, \$1293.80, less 5% discount.

AUGUST 25

No. 66 Salesman's orders. Carlton, Sons & Co., Dansville, 2% 10 days, 1% 30 days, 2 pcs. broadcloth, 60, 58 yds. 4 pcs. Creton plaid, 37, $39\frac{1}{2}$, 41, 38 yds. 5 pcs. sateen, 47, 51, 48, 49, 46 yds. 3 pcs. black Venetian cloth, $48\frac{1}{2}$, $35\frac{1}{2}$, 34 yds. 100 gross buttons.

L. H. Parker, Lima, 30 days net, 2 pcs. whipcord, 40, 42 yds. 6 pcs. Fruit of Loom sheeting, 56, 64, 58, 62, 59, 62 yds. 5 pcs. Monument cotton, 58, 59, 57, 62, 60 yds. 8 pcs. pique muslin, 70, 72, 65, 75, 69, 73, 66, 68 yds. 1 piece broadcloth, 60 yds.

W. B. Snow, Akron, 2% 10 days, 1% 30 days, 6 pcs. wash silk, $47\frac{3}{4}$, 48, $46\frac{1}{2}$, 49, $53\frac{1}{4}$, 55 yds. 3 pcs. surah silk, $47\frac{1}{4}$, $49\frac{3}{4}$, 52 yds. 3 pcs. corduroy, 36, 38, 37 yds. 6 pcs. Crown lining, 52, $56\frac{1}{4}$, $55\frac{1}{4}$, 57, 50, 54 yds.

Levy & Garson, Somersworth, 6% 10 days, 5% 30 days, 90 gross buttons. 40 doz. thread. 2 pcs. plain French poplin, 48, 42 yds. 1 piece kersey, 40 yds.

No. 67 Invoice of merchandise purchased of Sibley, Lindsay & Curr Co.

AUGUST 26

No. 68 Discount Chase's note received on the 24th inst., and have proceeds credited.

No. 69 Remit Gimbel Bros. your note at 30 days for \$2000, to apply on account. (No interest.)

No. 70 Purchase of merchandise from Little Falls Woolen Co.

AUGUST 28

No. 71 Receive credit at the bank for draft on Brown & Wilson, \$504.11, left for collection Aug. 24th.

No. 72 Fill the following telephone order received from Harris & Smith, City. Terms, 2% 10 days, 1% 30 days. 4 pcs. Talbot flannel, 44, 45½, 45, 43 yds. 3 pcs. velveteen, 36, 32, 38¼ yds. 2 pcs. unbleached cotton, 60, 62 yds. 3 pcs. Fruit of Loom sheeting, 61, 60, 60½ yds. 25 gross smoked pearl buttons.

AUGUST 30

No. 73 Carlton, Sons & Co., Dansville, return, for credit, the goods as per their bill. (*Returned Sales.* See No. 23.)

When returned goods have been duly accepted, it is customary to send what is called a "credit memorandum" Send Carlton, Sons & Co., a credit memorandum for these goods.

FORM OF CREDIT MEMORANDUM

New York, Aug. 19, 19—.

Memorandum of Amount placed to the

CREDIT

Of Taylor, Wood & Co.

By The H. B. CLAFLIN CO.

2	pcs. Blk. Cashmere, 90 yds.	.75				67	50
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No. 74 Check from Sibley & Company on account.

No. 75 Cash sale. W. E. Dennis & Co., City (check), 1 piece storm serge, 48 yds. 4 pcs. velveteen, 38, 36, 37, 39 yds. 2 pcs. French crepon, 40, 38 yds. 2 pcs. cashmere, 41, 37 yds. 1 piece surah silk, 48 yds. 3 pcs. wash silk, 49, 56, 45 yds.

No. 76 Deposit all checks. Draw currency for office use, by check, \$100. — (Make the check payable to *Cash*.)

AUGUST 31

No. 77 Pay freight bill in cash, \$3.49.

No. 78 Pay cash for horseshoeing and repairs on wagon, \$5.43. (*Delivery Expenses.*)

No. 79 Pay H. R. Judson by check for August salary, \$150 (see No. 5), and B. F. Nolan by check for rent of stable for August, \$50. (*Delivery Expenses.*)

No. 80 Pay office help, \$100, shipping clerks and porters, \$70, and teamster, \$44.50 in cash.

The wages of the teamster are a delivery expense.

No. 81 (Student) draws \$100 by check for private use.

A month's salary is now due each partner, as per partnership agreement. Frame proper journal entry. (*Office Salaries.*)

Salaries of the partners are an administrative expense, and do not affect their capital accounts.

You will now complete the daily posting to the three ledgers, including all the General column items in the cash book and journal. Preparatory to posting the monthly footings, prove the cash, and rule up and close the books of original entry, as explained and illustrated on pages 219 to 223. Be sure that your footings are correct and that the totals of the two sides of the journal are alike.

In constructing new accounts give each account in the sales ledger one-fourth of a page, and in the purchases ledger and general ledger, one-third of a page.

Since all the entries in the sales book and purchases journal, and all the General column entries in the journal and cash book, have been posted in the daily posting, there remain to be posted only the footings of the purchases journal and sales book, and the footings of the special columns in the journal and cash book. These are all general ledger items.

Purchases Journal. — The closing entry in the purchases journal is Purchases, (Dr.), \$—, Accounts Payable, (Cr.). Post these items.

Sales Book. — The closing entry in the sales book is Accounts Receivable (Dr.), \$—; Sales, (Cr.). Post these items.

Journal. — The closing entry in the journal contains the debit items, Accounts Payable, \$—, and Notes Receivable, \$—; and the credit items, Accounts Receivable, \$—, and Notes Payable, \$—. Post these items.

Cash Book. — The closing entries on the debit side of the cash book are the same as shown in the model form on page 222. See that the sum of the debit postings to the general ledger equals the sum of the credit postings to the general ledger on each side of the cash book.

Having completed the monthly posting, check the posting, after which pencil foot the accounts in the general ledger preparatory to taking a trial balance.

Trial Balance. — Take a trial balance of the general ledger. Pencil foot the accounts in the purchases ledger and sales ledger, extend the balances into the Balance column, and make a schedule of balances of each of these ledgers on loose journal paper. After making the schedules, prove them by comparing the footings with the balances of the controlling accounts, Accounts Payable and Accounts Receivable, in the general ledger.

Monthly trial balances are generally taken for the purpose of testing the accuracy of the posting, but they may also serve for other purposes. The trial balance, which is taken at the end of a business period called the ante-closing trial balance, and the schedule of the inventories of assets and liabilities, taken at the same time, contain the data from which the statements of the condition and results of the business are made.

No. 81 a Assuming that the checks issued on Aug. 31 are outstanding, make a bank voucher slip, similar to that received in the Commission Business, and after entering the total in the pass book, balance and rule up that book, and reconcile your bank balance.

Dissolution of Partnership. — Mr. Taylor, having decided to retire from business, has arranged with his nephew, Mr. Frank H. Taylor, an experienced dry goods man, to take over his interest on September 1, and Mr. Wood and yourself have agreed to the arrangement.

Closing the Books. — In business the books are closed at the end of a fiscal period, usually annually, and also in an individual or partnership business, when a legal change takes place in the business.

Inventories. — Inventories are taken for the purpose of ascertaining the quantities or values, or both, of property on hand, or of assets or liabilities, which are not shown by the books.

Merchandise inventories are usually taken quarterly, semiannually, or annually at the end of a business period. A quarterly or a semiannual inventory of merchandise is usually taken for stock purposes, and quantities only are considered. This is necessary when no stock books are kept; and when they are kept, the quantities shown by the physical inventories are compared with the quantities shown by the stock books.

The value of merchandise on hand is usually determined by adding to the invoice cost of this merchandise, the cost of acquisition — *i.e.* freight and cartage.

When any of the goods on hand have become damaged or unsalable for any reason, proper allowance should be made for this condition in the inventory, in order that it will represent its true asset value for the period. In making all property inventories it is better to be conservative in the matter of values rather than to overestimate or inflate them, thereby causing the records to show fictitious profits.

In order to determine the true profit of any business period, only the expenses which belong to the period should be charged, and only the profits which belong to the period should be credited. The expense accounts in the trial balance may show more or less charged or credited than rightfully belongs to the period and, therefore, adjustments must be made in these accounts before the true profits can be ascertained.

For this reason, inventories are taken of property on hand at the end of the period, which has been charged as expenses, such as shipping supplies, office supplies, etc., and accrued assets and liabilities are determined, such as interest on notes receivable and notes payable, unpaid insurance, rent due and unpaid, etc., and the amounts are carried to their respective accounts. Depreciation of property is treated in the same way when no Reserve for Depreciation of Property account is maintained.

Keeping up Stock. — It is important in every mercantile business to have on hand, at all times, an adequate stock of goods, with which to fill all orders promptly, and in order to be able to do this, it is necessary that some reliable system of reporting stock on hand to the buying department be maintained.

The nature of the business and the ease or difficulty with which stock can be replenished will, in a measure, determine what system of stock reporting will be required for that business. Some concerns can safely rely upon the quarterly inventories for the necessary information concerning the condition, as regards quantities of the stock, while others are obliged to have monthly, weekly, or daily stock reports.

Where stock books are kept, reports can be easily made from the books; where such records are not kept, it is necessary that the stock clerks, or warehouse clerks, make frequent reports of the stock in their departments. This is usually done on stock report sheets or slips, which may contain merely the names of the goods and the quantities on hand; or they may contain a statement of the minimum and maximum quantities required by the manager, which are based on past sales or special demands, and the quantities received since last report, besides any other information that may be desired.

Stock reporting, also, serves to guard against "overstocking."

INVENTORIES, AUGUST 31, 19—

Merchandise	\$23825.05
Shipping Supplies	196.50
Office Supplies	182.75

ADJUSTING ENTRIES, AUGUST 31, 19—

(a) Set aside a reserve for depreciation of furniture and fixtures of 1% of the cost.

This is accomplished by an entry in the journal debiting Depreciation of Furniture and Fixtures and crediting Reserve for Depreciation of Furniture and Fixtures.

(b) Set aside a reserve for depreciation of horses and wagons of 1% of the cost. (Make a journal entry same as under (a).)

(c) Insurance unexpired \$267.50. (Debit Insurance Unexpired and credit Insurance.)

(d) Interest accrued on Notes Receivable, \$12.75. (Debit Interest Accrued on Notes Receivable and credit Interest on Notes Receivable.)

(e) Interest accrued on Notes Payable, \$166.67. Debit interest on Notes Payable and credit Interest Accrued on Notes Payable.

(f) Rent due on flat, \$100. (Debit Rent Receivable and credit Rent Income.)

(g) Interest on partner's investment, figured at 6% per annum on balance of capital account. (Debit Interest on Capital and credit each partner's drawing account with his share.)

(h) Set aside 1% of Accounts Receivable as a Reserve for Bad Debts.

CLOSING THE BOOKS

You will now proceed to close the books as of August 31, 19— and prepare financial statements. Following is the work required in the order in which it should be done.

- 1 Make and post adjusting entries.
- 2 Take an adjusted trial balance.
- 3 Profit and Loss Statement August 1 to August 31, 19—. Prepare from the adjusted trial balance and from Inventories. (Use model form on page 241.)
- 4 Balance sheet, August 31, 19—. (Use model form on page 242.)
- 5 Closing entries, August 31, 19—. In closing the ledger make use of the Trading account as explained on page 243.)
- 6 Post closing entries and balance and rule general ledger accounts.
- 7 Take a proof trial balance.

DOW, JONES & COMPANY

PROFIT AND LOSS STATEMENT, AUGUST 1—AUGUST 31, 19—

Sales	\$8205.60	
Less: Returns	<u>643.48</u>	
Net Sales		\$7562.12

Deduct:

Cost of Sales		
Inventory, August 1, 19—		\$27598.69
Purchases, 8/1—8/31	\$2763.47	
Less: Returns	<u>156.66</u>	2606.81
Freight In		<u>126.98</u>
Total Cost		\$30332.48
Less:		
Inventory, August 31, 19—		<u>24641.85</u> 5690.63
Gross Profit on Sales		\$1871.49

Deduct:

Selling Expenses:			
Traveling Expenses	\$435.		
Shipping Department Salaries	150.		
Delivery Expenses	131.34		
Shipping Supplies used	<u>49.90</u>	\$766.24	
General Administrative Expenses:			
Office Salaries	\$475.		
Office Supplies Used	80.50		
General Expenses	32.62		
Rent	200.		
Insurance	15.		
Depreciation of Furniture and Fixtures	35.		
Depreciation of Horses and Wagons	<u>15.</u>	853.12	1619.36
Net Profit from Operations (forward)			\$252.13

Add:

Other Income			
Discount on Purchases	\$436.13		
Interest on Notes Receivable	21.57		
Rent Income	<u>100.</u>	557.70	
Total Income			\$809.83

Deduct:

Other Charges			
Interest on Notes Payable	\$27.38		
Discount on Notes	31.09		
Discount on Sales	53.96		
Bad Debts	<u>165.</u>	277.43	
Net Profit			\$532.40

Distributed as follows:

Interest on Capital	{ Dow \$213.59 Jones 179.83 Cox 57.61 }	451.03	
Dow, $\frac{1}{3}$ net profit		27.12	
Jones, $\frac{1}{3}$ net profit		27.12	
<u>Cox, $\frac{1}{3}$ net profit</u>		<u>27.13</u>	<u>\$532.40</u>

DOW, JONES & COMPANY
BALANCE SHEET, AUGUST 31, 19—

ASSETS

Current Assets

Cash		\$9088.81	
Notes Receivable		2577.84	
Interest Accrued on Notes Receivable		21.57	
Accounts Receivable	\$13596.24		
Less:			
Reserve for Bad Debts	165.	13431.24	
Merchandise Inventory		<u>24641.85</u>	\$49761.31

Investments

United Dry Goods Stock		10837.50	
Real Estate (tenement 61 Jones Street)		<u>10325.</u>	21162.50

Fixed Assets

Horses and Wagons		825.	
Furniture and Fixtures		<u>3275.</u>	4100.

Expense Items Paid in Advance

Shipping Supplies		279.80	
Office Supplies		235.25	
Insurance Unexpired		<u>135.</u>	650.05

Total Assets

\$75673.86

LIABILITIES AND CAPITAL

Current Liabilities

Notes Payable		\$15400.	
Interest Accrued on above		192.53	
Accounts Payable		<u>17354.02</u>	

Total Liabilities

\$32946.55

Capital

Dow — Balance 8/1	\$21372.87		
Add:			
Interest on Capital	213.59		
1/3 net profit	<u>27.12</u>		
	\$21613.58		
Less:			
Personal account balance	<u>225.</u>	\$21388.58	
Jones — Balance 8/1	\$15087.04		
Add:			
Interest on Capital	179.83		
1/3 net profit	<u>27.12</u>		
	15293.99		
Less:			
Personal account balance	<u>175.</u>	\$15118.99	
Cox — Balance 8/1	\$6000.		
Add:			
Interest on Capital	57.61		
1/3 net profit	<u>27.13</u>		
Personal account credit balance	135.	\$6219.74	\$42727.31
<u>Total Liabilities and Capital</u>			<u>\$75673.86</u>

The Trading Account. — In closing the books the Trading account is often used to bring together all accounts used in determining the gross profit on sales. It is subsidiary to the Profit and Loss Account.

The following is the function of the Trading account.

TRADING

Debit :	Credit :
(a) Inventory at the beginning	(a) Sales for period
(b) Purchases for the period	(b) Returned Purchases and Allowances
(c) Returned Sales and Allowances	(c) Inventory at end of period
(d) Freight Inward	

The balance will be the gross profit on sales and is transferred to the Profit and Loss account by an entry debiting Trading and crediting Profit and Loss.

WHOLESALE DRY GOODS BUSINESS — Continued

PRELIMINARY WORK

SEPTEMBER 1, 19—

Henry W. Taylor has this day withdrawn from the firm of Taylor, Wood & Co., and a new firm has been formed, consisting of Clark F. Wood, (Student), and Frank H. Taylor, to continue the business heretofore conducted under the name of Taylor, Wood & Co. Henry W. Taylor has assigned his interest in the old business to Frank H. Taylor as of this date, and articles of copartnership have this day been executed by the partners of the new business.

According to the articles of copartnership the new partnership agreement is the same as the old one (see page 226), excepting that Wood is to receive a salary of \$200 a month, (Student), \$225, and Frank H. Taylor, \$150. There is to be no change in the style of the firm name, and the capital of the new firm is to be the same as that of the old one, as shown by its books, closed as of Aug. 31, 19—. The capital of Henry W. Taylor in the old business is to become the investment of Frank H. Taylor in the new business. The books of the old firm are to be used as the books of the new firm, and are to be closed annually, as of September 30.

Make a brief statement of the above conditions in your journal under date Sept. 1, 19—, and frame an entry to transfer Henry W. Taylor's interest to Frank H. Taylor, making proper explanation of the entry. Post the entry, and rule off the account of Henry W. Taylor. Set up the new capital account under the old one.

Books Kept. — You will use the same books for September as you did for August, excepting the sales book, which will be replaced by the sales journal.

TRANSACTIONS

SEPTEMBER 1

No. 82 Check from Isaac Holman & Sons in payment of note due to-day.

No. 83 A, B, C. Duplicate charge bills. Jas. H. Wood & Son; Thompson & Bulkeley; Sibley & Co. Enter the bills in the sales journal, beginning with the number 100, and number all succeeding bills consecutively.

* Head your sales journal, *Sept. 1, 19—*. Enter only the serial number of the bill, name of the purchaser, and the amount of the bill, extending the amount into the Items column and the daily total into the Total column. The separate entries in the sales journal will not be posted, but the footing will be posted at the end of the month.

Post from the charge bills directly to the accounts in the sales ledger, in the daily posting, and check the folio of the account on each bill to indicate that it has been charged. Remember to enter the terms in the account. Cash sales bills will not be entered in the sales journal. Place the bills in your Voucher File.

No. 84 Send H. R. Judson, your traveling salesman, check for \$75 for traveling expenses.

SEPTEMBER 2

No. 85 Cash from E. B. Kerns for rent of flat, #74 Center St., August and September, \$200.

No. 86 Check from Levy & Garson for invoice of Aug. 25, less 6%.

No. 87 Invoice from Burke, Fitz Simons, Hone & Co. Enter the invoice in the purchases journal. Number this invoice 8.

Head your purchases journal the same as you did your sales journal, number the entries consecutively, and enter only the name of the creditor and the amount of the invoice. Write the entry number on the upper right-hand corner of the invoice. The separate entries in the purchases journal will not be posted, but the footing of the book will be posted at the end of the month. Post from the invoices directly to the accounts in the purchases ledger, in the daily posting, and place the folio of the account on each invoice to indicate that it has been credited. Remember to enter the terms in the account.

No. 88 Pay invoice Burke, Fitz Simons, Hone & Co., due to-day, as follows: Deduct from the amount of the invoice the charge for goods returned on Aug. 11, as per ledger, and from the balance deduct 1%, as per terms of bill. Write a check for the net amount.

No. 89 An order was received to-day from Ingham & Case, but as they owe a balance which has been running a long time, it was not deemed advisable to sell them more goods on account. In response to our telegram they instructed us to ship the goods subject to bank order, and allow special cash discount.

No. 89 a Make a sight draft favor of Commercial Bank for the net amount of the bill, pin it to the bill of lading, and leave both at the bank for collection. Treat the transaction as a charge sale.

No. 90 Duplicate charge bill. C. H. Roberts.

No. 91 Check from Harris & Smith to apply on account.

SEPTEMBER 5

No. 92 Duplicate cash bill. Weston & Hill, City (check). Enter in cash book only.

No. 93 Deposit all checks.

No. 94 Duplicate charge bill. W. O. Harrison; terms, 6% 10 ds., 5% 30 ds.

SEPTEMBER 6

No. 95 Invoice from Burke, Fitz Simons, Hone & Co. (See No. 87.)

No. 96 Pay Little Falls Woolen Co., by check, for invoice of August 12, \$163.22, less 1%.

No. 97 This check from Jas. H. Wood & Son is on account.

SEPTEMBER 7

No. 98 Check from Sibley & Co. is in full for bill of July 25.

No. 99 A, B, C. Duplicate charge bills. B. C. Wiley; Carlton, Sons & Co.; L. H. Parker.

No. 100 Duplicate charge bill. Burke, Fitz Simons, Hone & Co. for goods returned.

No. 101 Check from Brown & Wilson for note due to-day.

SEPTEMBER 8

No. 102 Invoice from Sibley, Lindsay & Curr Co.

No. 103 Send check to Sibley, Lindsay & Curr Co., for note due to-morrow.

SEPTEMBER 9

No. 104 Mr. Taylor draws \$200 from the business, by check, for personal use.

No. 105 Note from Harris & Smith to apply on account.

No. 106 Received notice from your bank that the draft of 3d inst. on Ingham & Case has been paid.

NOTE. — When in doubt as to how to classify a transaction, refer to the entry of a similar transaction in the August work.

SEPTEMBER 10

No. 107 Bill from L. H. Parker, Lima, for goods returned. Send L. H. Parker a credit memorandum.

No. 108 Mr. Wood draws \$250, by check, for personal use.

SEPTEMBER 12

No. 109 A, B. Duplicate cash sales bills. T. D. Winch, and Allen & Co.

No. 110 Deposit \$300 currency and all checks.

No. 111 Send Sibley, Lindsay & Curr Co. a check for \$4484.23, in payment of invoice of July 14.

No. 112 Ingham & Case have paid no attention to letters from Mr. Taylor regarding the settlement of their account. Make a sight draft on them for \$66.35 and leave it at the bank for collection. Write in pencil, in their account in the ledger, *Sight draft, 9/12*.

SEPTEMBER 13

No. 113 Check from W. O. Harrison for bill of Sept. 5, less 6%.

No. 114 Pay cash for stamps and office supplies, \$10.

No. 115 Check from Lewis W. Chase to apply on account.

SEPTEMBER 14

No. 116 Draw for your own personal use, \$150, by check.

No. 117 Invoice Gimbel Bros.

No. 118 A, B, C. Duplicate charge bills. J. G. Smith; Lewis W. Chase; Levy & Garson.

No. 119 Discount the invoice of Granite Mills, dated Aug. 15, and send check for the net amount.

No. 120 Duplicate charge bill. Gimbel Bros.

- No. 121** A, B. Duplicate cash sales bills. E. H. Marcy & Co.; Wallace Bros. (check).
No. 122 Pay shipping clerk hire, \$35, and office help, \$40, in cash.
No. 123 Pay freight bills to date, per agent's request, by check, \$27.45.

SEPTEMBER 17

- No. 124** Check W. O. Harrison is for note due to-day.
No. 125 Deposit all checks.
No. 126 The bank informed you, at time of making above deposit, that your draft of the 12th inst. on Ingham & Case has been returned unpaid. No reason assigned. Write in lead-pencil, in their account in your ledger, *Draft returned, 9/17.*

SEPTEMBER 19

- No. 127** Invoice from Little Falls Woolen Co.
No. 128 Pay rent for September, \$300, by check.

SEPTEMBER 20

No. 129 You have outstanding an interest-bearing note, due to-day, and, as you have not enough funds to meet it, the bank has agreed to renew one-half of the face of the note for 10 days.

Make your note at 10 days (with interest), in favor of the Commercial Bank, \$5000. Receive credit for the face of the note. Enter in the notes payable book, and add to your deposit on stub of the check book. (Date the note to-day, and have your teacher indorse it.)

You have in effect discounted a note at the bank and received credit for the proceeds. Therefore you have increased your bank balance that amount.

No. 130 Draw a check, in favor of the Commercial Bank, in full for the old note as above and four months' interest. This is your first "renewal," and you should study the transaction carefully.

- No. 131** Check from W. B. Snow to apply on account.

SEPTEMBER 21

- No. 132** Note received from Lewis W. Chase on account.
No. 133 Discount the note received from Lewis W. Chase to-day, and receive credit for the proceeds.
No. 134 A, B, C, D. Duplicate charge bills. Jas. H. Wood & Son; Thompson & Bulkeley; Sibley & Co.; Brown & Wilson.

SEPTEMBER 22

- No. 135** Check received from J. G. Smith is on account.
No. 136 Deposit the checks on hand.

SEPTEMBER 23

- No. 137** Mr. Taylor draws cash, \$50, for private use.
No. 138 Check from B. C. Wiley to apply on account.
No. 139 Invoice from Sibley, Lindsay & Curr Co.
No. 140 Invoice from Burke, Fitz Simons, Hone & Co.

SEPTEMBER 24

- No. 141 Pay grain and feed bills in cash, \$16.75.
No. 142 Check from J. G. Smith for bill of 14th inst., less 6% discount.
No. 143 Pay Burke, Fitz Simons, Hone & Co., by check, for invoice of Aug. 31, less 5%.

SEPTEMBER 26

- No. 144 Duplicate charge bill. W. B. Snow; terms, 2% 10 ds., 1% 30 ds.
No. 145 Send Gimbel Bros. check for note due yesterday.

When notes or other obligations mature on Sunday, it is customary to pay them the following day, but in the states where days of grace are yet allowed they are payable on the preceding day.

- No. 146 Check from Levy & Garson in payment of invoice of 14th inst., less 2%.
No. 147 Duplicate charge bill. Carlton, Sons & Co.
No. 148 Check from Darius D. Miner for \$5000. This money has been raised to meet the "renewal" note due in a few days at the bank, and was borrowed on the firm's demand note, with interest, 6%, secured by first mortgage on the flat at 74 Center St. Make the note, and the proper entries for the transaction.

Apparently the firm has issued liabilities of double the value of the asset received, but since the payment of the mortgage is conditional on the non-payment of the note, the liabilities have actually been increased by only the amount of the increase in the assets.

Since the money was obtained on the note and not on the mortgage, Mortgage Payable account is not, of course, charged at this time.

- No. 149 Deposit cash, \$200, and all checks.

SEPTEMBER 28

- No. 150 Pay freight bills to date by check, \$20.14.
No. 151 Pay cash for shipping clerk hire, \$30; teamster, \$45; office help, \$40.
No. 152 Pay telephone bill by check, \$15. (Office Expenses *a/c*.)

SEPTEMBER 30

- No. 153 Draw cash for your own personal use, \$40.
No. 154 Pay, by check, note and interest due at bank to-day.
No. 155 Pay H. R. Judson his salary for September by check, \$150.
No. 156 Pay rent of stable for September, \$50, by check, favor of B. F. Nolan.
Make proper entry for salaries due the partners.

Construct a controlling account in each of your subsidiary ledgers, thereby making them self-balancing. (See Self-balancing Ledgers, page 224.)

Complete the daily posting and prove the cash. Foot, post and rule off all books of original entry, as in the work for August. Take a trial balance of the general ledger and of each of the subsidiary ledgers, and see if the subsidiary ledgers are in agreement with the controlling accounts in the general ledger.

Use loose journal paper for your subsidiary trial balances, and remember to include only the current balances.

No. 156 a Assuming that the checks issued Sept. 28 and 30, excepting No. 154, are outstanding, make a bank voucher slip, balance your pass book, and reconcile your bank balance.

Dissolution of Partnership. — It has been apparent to your partners and yourself that the present conditions in the trade, and the outlook for increasing the business, do not justify a continuance of three active partners. Therefore it has been decided that Mr. Wood will withdraw from active management, leaving his capital in the business, and that you will retire from the firm on Oct. 1, to engage in the shoe manufacturing business.

INVENTORIES

Merchandise	\$22372.76
Shipping Supplies	93.25
Office Supplies	106.50

ADJUSTMENTS

- (A) Set aside 1% of cost of Furniture and Fixtures as a reserve for depreciation.
- (B) Set aside 1% of cost of Horses and Wagons as a reserve for depreciation.
- (C) Set aside $\frac{1}{2}$ of 1% of the amount of gross sales for September as a reserve for bad debts.
- (D) Insurance unexpired amounts to \$260.
- (E) Interest on Partners' Investments for September.

You will now proceed to prepare financial statements as of September 30, 19— and close the books. Following is the work required in the order in which it should be done.

- 1 Make and post adjusting entries
- 2 Take an adjusted Trial Balance
- 3 Prepare Profit and Loss Statement
- 4 Balance Sheet
- 5 Closing entries
- 6 Balance and rule ledger accounts and take a proof trial balance. Close the partners' drawing accounts into the capital accounts and balance the capital accounts.

EXERCISES

1 What is the purpose of the Trading account? What items does it contain? To what conclusion does it lead?

2 Compare the method of closing the accounts of trading operations through the Trading account, as illustrated in the Dry Goods exercise, with the method used in former exercises. Which method is preferable? Why?

3 Rule one side of a half sheet of cap paper to represent a page of a general ledger, and then construct a Trading account. From their respective accounts in your ledger, transfer by direct entries such items as will cause the account to show the merchandising results for August. Balance and rule off the account, transfer the gain, and bring down the current inventory. Next cause the account to show the merchandising results for September. Balance and rule off the account the same as for August.

4 The check book of the Bigelow Dry Goods Company on October 31 showed an overdraft of \$53.92, and the bank pass book when written up as of that date showed a credit balance of \$416.27. The deposits and collections for November amounted to \$13751.84, and the checks issued amounted to \$8527.39. When the pass book was written up for November,

it showed a credit balance of \$6532.28. The checks outstanding were: #389, \$156.82; #412, \$1117.81; #415, \$87.12.

Rule a form of check book stub, and show how you would reconcile the bank balances on October 31 and November 30, using the above figures.

5 Your bank has notified you that the check of J. T. Carpenter, in your deposit of February 28, contains a discrepancy of \$10 between the amounts as expressed in words and in figures. You find upon investigation that Carpenter was credited from his letter, which accompanied the remittance, for \$132.75, the amount as expressed in words, and that the check was included in the deposit for the amount \$122.75, as expressed in figures. Frame proper entries to adjust the discrepancy, which will affect the Cash Differences account, and the bank account.

6 Assume that you have been keeping a General Expense account for all expenses, except selling expenses, and that you have a General Expense column in your cash book. You are instructed to submit an analysis of the General Expense account, to be used in making up a semiannual Trading and Profit and Loss Statement, and are informed that the subdivision of the General Expense account is to be as follows: Office Supplies, Office Expenses, Office Salaries, Shipping Supplies, Shipping Expenses, Delivery Expenses, Rent, Miscellaneous Expenses.

Prepare an analysis sheet by ruling as many money columns on a sheet of cap paper as you have subdivisions of the account to be analyzed, and head each column with the name of a subdivision.

Assume that your cash book shows the following general expense entries for the period: Boxes, \$14.25, \$17.10, \$13.05, \$24.60. Automobile repairs, \$3.75, \$7.50, \$18. Store rent, \$200, \$200, \$200, \$200, \$200. Gasoline, \$3.60, \$4.50, \$1.80, \$9. Stationery, \$12.50, \$26.30, \$3.85, \$14.60. Office salaries, \$750, \$750, \$675, \$725, \$875, \$775. Shipping Department salaries, \$325, \$325, \$450, \$425.75, \$375, \$410. Typewriters, \$100, \$162.50. Nails and bands, \$3.25, \$6.15, \$8.50. Garage rent, \$25, \$25, \$30, \$30, \$25, \$25. Postage, \$5, \$3.75, \$5, \$10. Telephone, \$10, \$10.75, \$11.25, \$10, \$13.25, \$10.85. Typewriter repairs, \$1.75, \$2, \$1.25. Typewriter ribbons, \$4.80, \$2.50. Wages, chauffeur and helper, \$100, \$95, \$100, \$105, \$100, \$90. Taxes, \$113.75. Insurance, \$68.75. Pens, pencils, etc., \$1.10, \$.75, \$2.25. Telegrams, \$.40, \$.25, \$.72, \$.45, \$.30, \$.25, \$.60, \$.93. Electric light, \$4.25, \$.4, \$3.75, \$3.60, \$3.25, \$2.75. Roll-top desk and chair, \$85. Rubber tires, \$70, \$36. Extra trucking, \$3.75, \$4.25, \$2.50, \$7.25. Wrapping paper and twine, \$14.25, \$1.85, \$3.60.

Carry the above items to the proper columns on the analysis sheet, total the columns, and make the required analysis on a separate sheet.

7 Goodwin & Mackey had merchandise on hand July 1, 19—, inventoried at \$12209.26. They dissolved partnership August 31 of the same year. Their net purchases, including freight, during July and August were \$6928.34, and their net sales, \$13775.50. Their stock on hand August 31 was inventoried at \$6353.50. Prepare a Trading section of a Trading and Profit and Loss Statement, and show the gross profit on trading, and the percentage of gross profit on the turnover.

8 The merchandise inventory schedules of James Sheffield & Company on June 30, 19—, were as follows: Furnishing Goods, \$1458.50; Gloves and Mittens, \$1804.50; Knit Goods, \$1990.75. Their net purchases during the period were: Furnishing Goods, \$1391.25; Gloves and Mittens, \$1600.50; Knit Goods, \$3987.25. Their net sales were: Furnishing Goods, \$3303.60; Gloves and Mittens, \$3919.60; Knit Goods, \$6555.25. Their stock on hand at the beginning of the period was as follows: Furnishing Goods, \$2500.90; Gloves and Mittens, \$2600.50. Knit Goods, \$3500.50. Construct separate accounts for each department, and show the gross profit on trading, and percentage of profit on each class of goods.

9 Using the data in No. 12, prepare a Trading section of a Trading and Profit and Loss Statement, and show the gross trading profit and the percentage of the profit of each department, the total gross trading profit, and the percentage of total gross profit on the total turnover.

10 From the data given on the Profit and Loss section of your Trading and Profit and Loss Statement for September, prepare a Profit and Loss section which will show the selling expenses, and the percentage of cost for selling, based on the turnover; the actual general and administrative expenses, and the percentage of cost for conducting and administering the business based on the turnover.

In doing this work distinguish between allowances and expenditures. Complete the Profit and Loss section.

11 The assets and liabilities of D. F. Beattey & Co. for the period ended December 31, 19—, were as follows: Assets — Cash on hand, \$43.29; In bank, \$6790.24; Notes Receivable, \$9909.76; Accounts Receivable, \$8552.76; Real Estate, \$6000; Merchandise, \$6713.30; Furniture and Fixtures, \$1789.48. Liabilities — Accounts Payable, \$1736.16; Notes Payable, \$2000. The partners' accounts were as follows: D. F. Beattey, Capital, \$20000; Personal (Debit balance), \$480. E. H. Sprague, Capital, \$15000; Personal (Debit balance), \$433.67. The open nominal accounts were: Debits — Discounts on sales, \$302.57; Interest, \$21.34; Agents' Salaries and Expenses, \$764.12; Office Salaries and Expenses, \$564.80. The net purchases were \$8514.27, and the net sales, \$13009.57. The merchandise on hand at the beginning of the period was inventoried at \$7362.91; real estate at \$6180; and furniture and fixtures at \$1826.

From the above data make a Trial Balance, a Trading and Profit and Loss Statement, and a Balance Sheet.

The following exercises are given for use in schools which have adding machines:

12 Prove the charge postings to your sales ledger for August, by listing, first, the charge sales from your sales book, and second, the charge entries in the ledger, and comparing the totals of the two lists.

13 Prove the credit postings to your sales ledger by listing, first, the credit payments by customers from the cash book and journal, and the return sales; and second, the credit entries in the ledger, and comparing the totals of the two lists. Compare the difference between the above charge entries list and the credit entries list, with the balance of Accounts Receivable accounts as shown in your balance sheet for August.

14 Prove the credit postings to your purchases ledger for September by listing, first, the purchases in purchases journal; and second, the credit entries in the accounts, and comparing the totals of the two lists.

15 Prove the debit postings to your purchases ledger by listing, first, the payments to creditors from your cash book and journal, and the return purchases; and second, the debit entries in the accounts, and comparing the totals of the two lists. Compare the difference between the above credit entries list and the debit entries list, with the balance of the Accounts Payable account, as shown by your balance sheet for September.

16 Prove your bank balance for September as shown by your check book by listing, first, your deposits and collections from your check book stub, and second, the checks, from the vouchers, and comparing the difference between the totals of the two lists with the balance shown in the check book.

QUESTIONS

- 1 What is wholesaling?
- 2 From what do wholesalers chiefly obtain their revenue?
- 3 What is the principal revenue account of a mercantile business?
- 4 What is meant by "trading"? By "turnover"?
- 5 Describe the form of journal used in the Wholesale Dry Goods business, and explain the posting.
- 6 Describe the cash book, and explain the posting.
- 7 How may the cash be proved at any time, when this form of cash book is used?
- 8 What is a purchases journal?
- 9 Describe the sales journal.
- 10 Explain how the posting is done from these two books. Explain the bill and charge system.
- 11 Describe the auxiliary ledgers used in this work.
- 12 How may accounts with customers be divided when sectional sales ledgers are used?
- 13 What is a private ledger?
- 14 What controlling accounts did you construct in this work?
- 15 Upon what do the accounts to be kept in any business usually depend? What determines the special accounts to be kept?
- 16 What is the principal deduction from revenue in a mercantile business? How may the account which it represents be divided?
- 17 Explain "analyzing an account."
- 18 How are accounts usually divided? Explain each division.
- 19 Define assets and liabilities. Explain fixed assets; floating assets; fixed liabilities; floating liabilities.
- 20 When a legal change takes place in the ownership of individual or partnership business, what is the effect, and what must be done?
- 21 Is it necessary to open a new set of books when such a change takes place?
- 22 How would a new set of books be opened?
- 23 What are supporting records?
- 24 What is a shipper's order? Explain the difference between this and a C.O.D. express shipment.
- 25 What are return books? Explain how returns are treated in this work.
- 26 What are the different classes of expenses? Explain each.
- 27 When are merchandise inventories usually taken? For what purposes? At what price?
- 28 How can the true profits of any business period be determined?
- 29 What is a "trading and profit and loss statement"? Explain each section in detail.
- 30 What is the difference between the terms "gross profit on trading" and "net profit on trading"?
- 31 What are reserves? Explain "depreciation."
- 32 What is a balance sheet?
- 33 How are the assets and liabilities usually arranged on a balance sheet in a mercantile business?
- 34 What is the principal difference between a profit and loss statement and a balance sheet?
- 35 What are "quick assets"? Give some examples.
- 36 How is the general ledger closed in this work, and in accordance with what accounting axiom?
- 37 Why are not the partners' capital accounts closed by passing the entries through the journal, instead of by making direct entries?
- 38 What is a post-closing trial balance?
- 39 What new features of bookkeeping and accounting have you learned in this work?

CORPORATIONS

A **Corporation** is an artificial body created by law for certain purposes, which are stated in its charter, or articles of incorporation. It is composed of individuals, and differs from a partnership chiefly in that it is limited in its activities to the specific purposes for which it was created; that it has a capacity of perpetual succession; and that the members which compose it are not liable for the debts of the corporation, excepting in certain cases, and then only for a limited sum.

Corporations are divided into two general classes; namely: public corporations, which are created for the purposes of government and the management of public affairs; and private corporations, which are created for private purposes, and the management of private affairs in which the members are interested. Some private corporations are engaged in enterprises which are of a public nature, but which are conducted and managed for private purposes or private gain. Some of these corporations, such as railroad, gas, water, telegraph, telephone, and street car or traction companies, etc., are called "public service corporations." Banks, trust companies, and insurance companies are called "financial corporations," and those engaged in manufacturing or trading are called "business corporations." Only business corporations will be treated in this work.

Business Corporations. — Until comparatively recent times, most of the manufacturing and trading done in this country was conducted under two forms of management; namely, the single proprietorship form, and the partnership form. Each of these forms possesses certain advantages and disadvantages as compared with the corporate form. Among the advantages are: the ease with which they may be established, the freedom of action allowed, and the benefit to the business from the active, personal efforts of the proprietor or partners. The disadvantages are: the usual inability of a single proprietor or of several partners to command the necessary capital to conduct a large enterprise; liability of the individual owner, or of each member of a firm, for all the debts of the concern; and the dissolution of the partnership, and the possible discontinuance of the business, upon the withdrawal or death of a partner.

For the development of great natural resources, and for the distribution of both natural and manufactured products to meet great demand, large capital and organized effort are required, and these are usually best obtained by the corporate form of business. During recent years the corporate form has made great strides in this country, until now it dominates most of the important lines of business, such as mining, manufacturing, merchandising, or trading, as well as transportation and other public service activities.

Holding Companies. — A corporation which is formed for the purpose of controlling other corporations is called a "holding company"; corporations so controlled are called "subsidiary companies." The larger part of the stock of each subsidiary company, or in some cases all of it, is transferred to and owned by the holding company, which issues its own stock in exchange. The subsidiary companies retain their corporate identities, and declare dividends like other corporations. The holding company may thus have a large income, which is distributed in dividends to its stockholders.

Subsidiary companies are operating concerns; the holding company is usually an executive concern. Some of the larger corporations partake of the nature of holding companies, as they both control other corporations and operate separate plants or systems. Holding companies are monopolistic in nature, and their creation and conduct are closely regulated by law.

Trusts. — A combination of business corporations formed for the purpose of controlling the output, and maintaining a monopoly of any product or products, and fixing the prices of the same, is called a "trust." Some business corporations, owing to their practically unlimited capital, enormous output, wide activities, and their control of a large part of the kinds of products which they handle, are commonly called trusts.

Corporations: How Created. — Formerly corporations were created by special acts of the legislatures, but the statutes of all of the states now provide other methods for the formation of corporations.

Government Supervision. — Corporations, being creatures of government, are subject to the supervision of the power which created them. The supervision is expressed in their charters, and in various acts of the legislatures, and is exercised by special governmental bodies, such as Railroad Commissions, Public Service Commissions, etc. Corporations which do an interstate transportation business are subject to the supervision of the national government, and this supervision is exercised by the Interstate Commerce Commission.

The extent of the supervision of corporations differs in the various states. In some states, it is comparatively slight; while in others it amounts to the control of such important matters as issuance of stocks and bonds, method of accounting, forms of reports or statements, rates for services, and in some instances, maximum or specific prices of products. The Interstate Commerce Commission has power to control the rates of railroads which do an interstate business.

Corporations: How Formed. — Corporations are formed in accordance with the requirements of the statutes concerning corporations, and these differ more or less in the various states. A corporation may be formed in the state in which it is domiciled, that is, in which it has its main office, or it may be formed, unless the statutes restrict, under the laws of any other state. A corporation formed in the state in which it is domiciled is called in that state, a "domestic corporation," and in all other states, a "foreign corporation."

The statutes of the various states specify how many persons are required to organize a corporation. In most states, at least three persons of full age must unite to form a corporation; in some states, five or more are required; and in at least one state, any number may so unite. These persons meet and make a certificate of incorporation which usually contains: the name of the proposed corporation; purpose or purposes for which it is formed and location of its principal business office; amount of capital stock, kinds of stock, and number and par value of its shares; duration of incorporation; number of directors; and such other information as the statutes may require.

Public corporations, and some private corporations, as hospitals, colleges, etc., do not issue stock, and are called "non-stock corporations."

After the certificate of incorporation has been signed by the incorporators, and acknowledged before a notary public or some similar officer, it is then submitted to a proper state officer, usually the Secretary of State, who, if he accepts it, indorses it to that effect and returns it to the incorporators.

When the incorporation fees and the annual tax have been paid, the certificate, accompanied by the State Treasurer's receipt, is then filed in the office of the County Clerk (or other recording officer) of the county in which the principal business office of the company is to be located. Some states require that the certificate of incorporation shall be filed in all the counties

of the state in which the corporation intends to do business. Foreign corporations are required to file a certificate of designation with the Secretary of State.

After the certificate of incorporation has been filed, subscription books are opened and the capital stock is disposed of by subscription or otherwise. If the corporation is to be formed to take over a going business, the subscription list is usually dispensed with, the former subscriptions of the incorporators taking its place.

A certain amount must be subscribed for and paid before the corporation is permitted to begin business. After such stock has been subscribed for, and such payment has been made as required by the statutes or stated in the certificate, a meeting of the stockholders is called, at which the officers are elected and by-laws are adopted. The record of these proceedings is filed with the Secretary of State, and a certificate is issued by him to the effect that the corporation is fully organized and authorized to do business under the laws of the state. In a few states, the statutes require that the meeting of the incorporators and the arranging of the organization must take place before the application for the charter is filed.

Kinds of Stock. — The capital stock of a corporation is divided into shares, each share representing a proportionate part of the authorized capital. In this country the shares of a business corporation are usually of two kinds, called "preferred stock" and "common stock." Preferred stock is stock to which some preference has been given, such as regards the payment of dividends, or the assets in case of liquidation, over other stock issued by that corporation. There may be more than one kind of preferred stock, such as first preferred, second preferred, etc. The dividends payable on preferred stock are usually limited in amount; they may be either cumulative or non-cumulative. If cumulative, the stated dividends attach to the stock each year whether or not they are earned, and all arrearages of such preferred dividends must be paid before the common stock receives any dividend. Non-cumulative dividends do not attach to the stock during any period when they are not earned.

Common stock is the ordinary stock of a corporation, with neither special privileges nor restrictions. When all the stock is on the same equality as to voting, dividends, and participation in assets, it is common stock.

When there is more than one issue of stock, it is customary to keep separate accounts for each issue, as Preferred Stock, First Preferred Stock, Second Preferred Stock, Common Stock, etc.

The amount of stock authorized as specified in the charter is called the "capital stock of the corporation." The amount of stock subscribed, paid for, or issued is the "paid-up capital," also called the "outstanding stock." Stock which has been issued and has afterwards been purchased by, or donated to, the corporation is called "treasury stock." Stock which has not been subscribed for and not issued is sometimes called treasury stock, but since such stock has no existence, it can have no value, and therefore should not be treated as an asset. Such stock is called "unissued stock."

Stock Certificates. — The shares of stock in a corporation are issued in the form of certificates, each of which states the kind of stock, par value, and the number of shares which the certificate represents. Stock certificates are transferable by assignment, either wholly or in part, at will, but such transfer is not complete until the proper record has been made on the books of the corporation.

Bonds. — A bond is an obligation, and is in effect a promise to pay a certain sum and interest on the same; the amount of the sum, the date of payment, the rate of the interest and when payable, being specified in the bond. It is one of the functions of corporations to issue

bonds, and the bonds of business corporations are usually issued against tangible assets. To secure payment of these bonds, the corporation is required by statute to execute a mortgage, or some other form of lien on its property, to some trustee or trustees, to be held as security for the payment of the bond at maturity, and of the interest as it falls due.

Bonds are issued for the purpose of raising funds for the use of the corporate business, and in accordance with the provisions of the statutes, and with the consent of the stockholders.

Forms of Bonds. — There are two general forms of bonds; namely, coupon bonds and registered bonds. Coupon bonds are usually payable to bearer, and have interest coupons attached which are also payable to bearer, and which are promises to pay the amount of interest due at each interest period, as specified in the bond. Registered bonds are bonds which are issued in the names of particular persons, and are transferable only on the books of the corporation. Interest on registered bonds is paid only to persons in whose names the bonds appear on the books of the corporation, or to their assignees. Some coupon bonds are registered as to the principal of the bond, the coupons being payable to bearer.

Kinds of Bonds. — Bonds are of various kinds, and are usually designated by the nature of the lien by which they are secured, or by the more important or distinctive feature of the issue, such as mortgage bonds, equipment bonds, sinking fund bonds, income bonds, convertible bonds, debenture bonds, etc.

From a bookkeeping standpoint, bonds are treated the same as are notes payable or mortgages payable, a general Bond account or separate accounts for each kind being constructed.

Sinking Fund. — A fund created out of net earnings and set aside for the purpose of paying off a fixed obligation at maturity is called a "sinking fund." The money so set aside is taken out of the business and either deposited with a trustee or invested in marketable interest-bearing securities. Such money is called "invested capital" to designate it from "working capital," or the capital actively used in the business. A sinking fund is an asset to the business.

For commercial purposes the usual way of providing a sinking fund sufficient to pay off a bonded indebtedness is to set aside each year from earnings either a proportionate part of the amount of the debt for the number of years the bonds have to run, or such a sum as will, with accumulated interest, amount in the given number of years to the amount of the bonds.

In both cases, the sum set aside each year would be immediately invested. The rate of interest on the investments in the second case would be that necessary to accomplish the purpose of the fund, and the interest would be credited to Sinking Fund account. The interest on the investment in the first case would be credited to a revenue account, and the interest on the bonds charged to a Revenue Expense account.

Dividends. — The profits and losses of a corporation are found through the Trading and Profit and Loss accounts, the same as in any other business, and the net profits are carried to the Surplus account. The division of profits among stockholders is made by means of dividends, which are declared at fixed percentages, such as $1\frac{1}{2}\%$, 3%, 6%, etc., on the outstanding stock. Dividends are payable only to stockholders of record at the time the stock books are closed, or at specified dates, excepting in cases of a few stocks which have coupons attached to the certificates, when the dividends are paid on presentation of the coupons.

Separate accounts are usually kept for different classes of dividends, when there is more than one kind of stock, as Preferred Dividend account, Common Dividend account, etc.

Surplus. — The term "surplus" usually applies to a portion of the profits withheld from distribution, either for the purpose of establishing a permanent addition to the capital of the

corporation, or for such other purposes as the board of directors may designate. In practice, as above stated, the net profits are carried to Surplus account, and after the dividends have been charged to it, the balance is the actual surplus for the period. The surplus frequently serves to enable business corporations to maintain their dividends at regular rates during periods of depression.

Directors. — The affairs of a corporation are managed by a board of directors. In a few states, the directors for the first year are named in the certificate of incorporation. In other states they are elected by the stockholders at their first meeting. The number of directors of a corporation is either specified in the charter application or is fixed by the by-laws. The minimum number allowed by law is usually three.

In the larger corporations, where the board of directors is generally composed of a considerable number of members, the powers of the board are given, during the interim between board meetings, to an executive committee, which must be composed of members of the board, and that committee becomes the real managing body of the corporation. In addition to an executive committee, a finance committee is often appointed to supervise the financial affairs of the company.

Officers. — The officers of a corporation are usually president, secretary, and treasurer, who are elected by the board of directors. There may be one or more vice-presidents, and other similar officers, and sometimes two offices may be held by one person.

The President. — In most corporations the president is the chief executive officer. In the very large corporations, some of the duties usually performed by the president are assumed by the chairman of the board of directors. Generally the president presides over the meetings of the board of directors, and, if authorized to do so by the by-laws, also over the meetings of the stockholders. He can bind the corporation in most routine matters, and usually affixes the corporate signature to instruments requiring such signature. Other matters of unusual importance or outside of the regular routine must be specially authorized by the board to bind the corporation.

The president is usually required to exercise a general supervision over all the corporate business, and when necessary or required, make reports to the board of directors and to the stockholders of the condition of the affairs of the corporation. He is generally required, with the secretary or treasurer of industrial corporations, and with the secretary or treasurer of financial corporations, to sign the certificates of stock. The president must be a member of the board of directors, and as a director, he must be a stockholder in the corporation.

The Secretary. — The duties of the secretary of a corporation are, among other things, to keep a record of the proceedings of the stockholders and directors, and such other records as do not pertain to the work of the treasurer. The secretary is usually custodian of the corporate seal. He need not be either a member of the board of directors or a stockholder in the corporation, although he is sometimes both of these. He is usually required to take an oath of office, binding himself to the faithful performance of his duties.

The Treasurer is the financial officer of the corporation. His duties vary in different concerns. In the smaller corporations, besides having custody of the funds and securities of the company, he has direct supervision of the accounts, and keeps the general or business books. In the larger corporations, the accounting is under the direction of a controller or an auditor, and the purely financial operations are in charge of the treasurer and his assistants. The treasurer is responsible to the board of directors, or to the finance committee when

STOCK CERTIFICATE BOOK

Certificate
No. 427
 For *forty* Shares
 Issued to
Geo. H. Helvy
 Dated *June 10, 1911*
 From whom transferred
 Dated

No Original Certificate.	No Original Shares.	No of Shares Transferred.
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 Received Certificate No. *427*
 for *forty* Shares
 this *10* day of *June* 1911
Geo. H. Helvy



such a committee exists. He need not be either a stockholder or a member of the board of directors, although he may be either or both of these. He is usually required to give a bond; and in some states must give a bond in such amounts as the by-laws shall fix and determine.

Books of a Corporation. — There is no system of bookkeeping peculiar to a corporation. The business transactions of a corporation do not differ in form from those of a partnership or of an individual proprietor. The volume of business is usually greater than that done by an individual, but this affects only the number, and not the kind nor necessarily the form of the books used. Each corporation, excepting where the form of its accounts is regulated by law, keeps its books, like all other concerns, in accordance with its own methods and the general principles of accounts. A few of the accounts of a corporation will differ from those of a private concern, and the form of its statements may also be different, but otherwise the general records are practically the same in both cases.

Corporate Books. — The only books which are peculiar to a corporation are those which show the operations connected with the corporate form of the concern, and contain a record of the corporate proceedings, and of the issuance and transfer of its stock.

The special books of a corporation are the minute book, subscription book, stock certificate book, stock ledger, stock transfer book, and dividend book.

Minute Book. — This book contains a record of the proceedings of the stockholders and of the board of directors. Sometimes separate minute books are kept for the proceedings of the stockholders and the board of directors. All entries in the minute book should be made by the secretary, and the book retained in his custody. The usual form of a minute book is that of an ordinary "record" book, the pages of which are ruled like a sheet of legal cap paper.

Subscription Book. — This book contains a list of the subscribers to the stock, with the number and par value of the shares subscribed for by each. If stock is paid for in installments, a separate space for each installment should be provided in the subscription book, or a separate installment book may be used.

Stock Certificate Book. — This is a book of blank certificates and stubs, and these certificates are issued to the stockholders as soon as their subscriptions are fully paid. (See form, page 257.) The stubs are filled out before the certificates are detached, and from them is made up the credit side of the stock ledger, in which each stockholder receives credit for the number of shares held by him.

On the back of each certificate is a blank bill of sale or form of assignment, by which a stockholder may transfer his stock to any other person.

When a certificate is surrendered, it is stamped "canceled," and pasted on to its own stub in the stock certificate book.

Transfer Book. — This is a book of printed forms and blanks to be filled in whenever a stockholder sells his stock, or any part of it, to another person. A stock certificate, when signed by the seller or his attorney, authorizes the transfer of a certain number of shares of stock from the account of the seller to the account of some other person named in the certificate. The transfer book serves as a journal to the stock ledger, and from it are made all entries after the original stock issue of the business has been entered in the stock ledger.

STOCK TRANSFER BOOK

Number of Certificates Cancelled.	Shares Cancelled.	Ledger Folio.	TRANSFERRED BY		
34	200	27	Chas H Jewell	for Value Received, I do hereby assign and transfer to	
				A. C. Miner	
Number of New Certificates Issued.	New Shares Issued.		TO		
73	200	42	A. C. Miner	Two Hundred Shares of the Capital Stock of	
				The Central National Bank of Pittsburgh, Pa.	
				Witness my hand and seal, this 4 day of June, 1899	
				Sealed and delivered in the presence of	
				D. C. Durnet [L.S.]	
				Chas H Jewell [L.S.]	

Stock Ledger. — This book is auxiliary to the general ledger, and its credit balance should always agree with the Capital Stock balance in the general ledger. The stock ledger contains the name of every person holding stock, either by original issue or by transfer. It is made up originally from the stubs of the stock certificate book, and as the stock is issued, each holder is credited in the stock ledger with the par value of the stock. After the opening entries, all entries in the stock ledger should be made from the stub of the transfer book. These entries always consist of a debit to a seller of stock whose name is already in the stock ledger, and a credit of an equal amount to the buyer, whose name must be entered in the stock ledger.

Dividend Book. — The dividend book contains the names of all persons who have open accounts in the stock ledger, and opposite the name of each person is recorded the amount due him when a dividend is declared. This book may contain a space for the signature of

each stockholder acknowledging the receipt of his dividend, but in the larger corporations these dividends are generally paid by voucher checks which are in themselves receipts.


The following forms illustrate the dividend book and the dividend check.

DIVIDEND BOOK

8th Semi-Annual Dividend, July 1, 1911. 6%.

NAME OF STOCKHOLDER.	ADDRESS.	No. of SHARES.	AMOUNT OF DIVIDEND.	WE HEREBY ACKNOWLEDGE RECEIPT OF ACCOMPANYING DIVIDEND.
<i>Geo. H. Howry</i>	<i>Buffalo, N. Y.</i>	<i>100</i>	<i>600</i>	<i>Geo. H. Howry,</i>
<i>C. M. Hunt</i>	<i>" "</i>	<i>150</i>	<i>900</i>	<i>C. M. Hunt.</i>
<i>A. L. McMillan</i>	<i>New York,</i>	<i>400</i>	<i>2400</i>	<i>A. L. McMillan,</i>
<i>Thos. J. Arthur</i>	<i>Troy, N. Y.</i>	<i>200</i>	<i>1200</i>	<i>Thos. J. Arthur</i>
<i>L. C. Collins</i>	<i>Albany, N. Y.</i>	<i>100</i>	<i>600</i>	<i>L. C. Collins,</i>
<i>W. H. Johnson</i>	<i>" "</i>	<i>200</i>	<i>1200</i>	<i>W. H. Johnson.</i>

DIVIDEND CHECK

DIVIDEND NO. 8.			No. <i>231</i>
	The Merchants National Bank		
	PAY TO THE ORDER OF <i>Buffalo, N. Y. July 1, 1911.</i>		
	<i>Geo. H. Howry</i>		\$ <i>600</i> *
	<i>Six Hundred</i>		Dollars.
	<i>C. A. Rollins</i> CASHIER.		

Transfer Agents. — Among the larger corporations it is customary to appoint transfer agents who attend to the issue and the transfer of stock, and who should have charge of the stock certificate book, the stock ledger, and the transfer book, which relieves the secretary of a great deal of labor and responsibility.

Special Corporate Accounts. — A few accounts are peculiar to corporations, such as Capital Stock account, Treasury Stock account, Subscription account, Donation account, Surplus account, Dividend account, etc., and these take the place of capital and reserve accounts in proprietary or partnership businesses.

Good Will. — The business activity of private concerns is dependent upon the voluntary patronage of the public, and to the extent that this patronage is secured, it affects the growth or stability, or both, of the business of that concern. When a business has secured a patronage which is likely to continue, even though the ownership or location of the business, or both, should change, it constitutes a valuable asset to that business. This is called "good will." In the sale and taking over of a going business, the value of its good will is always a matter of agreement between the parties concerned, and is carried as an asset on the books of the new concern at cost, until some adjustment of it has been made. Some concerns charge off at intervals a portion of the cost of good will, until the whole amount has been absorbed through the profits, while others carry it as a permanent asset. The former is regarded the better practice, especially for corporations.

PROPOSITIONS

The following propositions are given for the purpose of illustrating the opening and closing of corporation books, and the entries to be made when dividends are declared.

1. James Brown, William Harper, Charles Edwards, Maurice Chaney, and William Upton have formed the American Motor-Truck Company with a capital stock of \$100000, of which Brown, Harper, and Edwards have subscribed \$30000 each, and Chaney and Upton, \$5000 each. The minute book will show the proceedings of such meetings as have been held, and as soon as all the stock is subscribed for, the following journal entry should be framed :

Subscription	\$100000
Capital Stock,	\$100000

This entry should be posted to the general ledger.

Suppose the stock subscriptions are to be paid in two installments, one due January 1, and the other February 1. When the first of these installments is paid, the cash book of the corporation should contain a debit entry of \$50000, and Subscription should be credited for this amount. When this entry has been posted to the general ledger, it will cancel half the Subscription account. When the second installment is paid, a similar entry should be framed in the cash book; and when this entry has been posted, it will balance the Subscription account.

The stock will now be issued, and from the stub of the stock certificate book each of the subscribers should be credited in the stock ledger with the amount of the stock issued to him.

2. A corporation is formed to acquire the patent rights of an envelope sealing machine invented by William Waugh, and to manufacture and sell the same. The authorized capital stock is \$50000, and the par value of the shares is \$10 per share. Waugh is to receive 2500 shares of the stock in exchange for his rights in the patent. A subscribes for 1000 shares, B, 1000 shares, and C, 500 shares, which subscriptions are to be paid in cash. The opening entry in the journal of the corporation would be :

Subscription,	\$25000
Patent Rights,	\$25000
Capital Stock,	\$50000

When the subscriptions are paid, an entry would be made in the cash book, crediting Subscription, \$25000, which, when posted, would balance the Subscription account.

Suppose later Waugh should donate 1000 shares of the stock to the company, which, it is estimated, can be sold for \$6000, to provide additional working capital when needed, and this stock is placed in the treasury. There are two ways of treating a transaction of this kind. The first is to frame a journal entry:

Treasury Stock,	\$6000
Donation,	\$6000

When this stock is sold, Treasury Stock is credited for \$6000 in the cash book, and a journal entry is framed debiting Donation account and crediting Surplus account for the amount received from the sale of the treasury stock.

A second and better way is to credit the account for which the stock was first issued, which in this case is Patent Rights, and the entry would be:

Treasury Stock,	\$6000
Patent Rights,	\$6000

This would reduce the cost of the patent rights to the company by the amount of the estimated value of the stock donated.

If the stock were sold for more or less than its estimated value, the actual amount received would be credited to Treasury Stock in the cash book, and a journal entry would be framed to adjust the difference. If sold for, say, \$1000 more than its estimated value, the entry would be:

Treasury Stock,	\$1000
Patent Rights,	\$1000

If sold for less than its estimated value, the reverse entry would be framed for the amount of the difference.

3. The firm of Warren & Carson have been engaged in the manufacture of furniture, and they transfer their business to the Warren & Carson Manufacturing Company, with a capital stock of \$100000, par value of the shares, \$100; the stock to be divided as follows: W. A. Warren to receive 500 shares, and E. B. Carson 250 shares. C. M. Harris has subscribed for 50 shares; D. J. Jones, 50 shares; D. E. Leavitt, 50 shares; and 100 shares are unissued, to be issued and disposed of for the benefit of the business when so voted by the directors. The assets and liabilities of the firm of Warren & Carson are as follows: *Assets*. — Cash, \$7500; Notes Receivable, \$22690.50; Accounts Receivable, \$41987.50; Merchandise, \$49800; Unfinished Goods, \$24200; Raw Materials, \$38700; Real Estate, \$20000; Total Assets, \$204878. *Liabilities*. — Notes Payable, \$46965.50; Accounts Payable, \$72912.50; Mortgages Payable, \$15000; Total Liabilities, \$134878. Warren's net worth, \$46064.75; Carson's net worth, \$23935.25.

If it is desired to open a new set of books, as is generally the case when a new corporation is formed, it is customary first to close the old books, which should be done by framing a journal entry, debiting the Warren & Carson Furniture Company for the total amount of the assets, and crediting each asset account for its respective amount. Posting this entry will balance the asset account. Then a journal entry should be framed, debiting the liability accounts for their respective amounts, and the separate accounts of the partners for their respective amounts, and crediting the Warren & Carson Furniture Company for the total. Posting this entry will close all liability accounts, the partners' accounts, and also balance the Warren & Carson Furniture Company account, and close the books of the old business.

One journal entry could be framed instead of two, crediting the assets and debiting the

liabilities and the partners. This would avoid the necessity of constructing an account on the old books with the Warren & Carson Furniture Company.

To open the corporation books, the amount of the subscribed capital stock, \$90000, must appear on the credit side of the general ledger, the amount of the assets of the old business must appear as debit balances, and the liabilities as credit balances. The names of Warren and Carson must not appear in the general ledger of the corporation, as their worth at closing has been absorbed by the capital stock. A journal entry should be framed for the above as follows:

Cash,	\$ 7500.	
Notes Receivable,	22690.50	
Accounts Receivable,	41987.50	
Merchandise,	49800.	
Unfinished Goods,	24200.	
Raw Materials,	38700.	
Real Estate,	20000.	
Good Will,	5000.	
Subscription,	15000.	
		Notes Payable, \$46965.50
		Accounts Payable, 72912.50
		Mortgages Payable, 15000.
		Capital Stock, 90000.

Referring to the statement of assets and liabilities of Warren & Carson, it will be seen that the actual difference between the assets and liabilities of that firm is \$70000. For this amount, E. A. Warren has received \$50000 of the capital stock in the new corporation, and E. B. Carson, \$25000, a total of \$75000, or \$5000 more than the actual difference between the assets and liabilities of the firm. This difference represents the agreed value of the good will of the old business, and thus Good Will should be debited for \$5000, since it costs the new business that much, and is regarded an asset. The remaining \$15000 of the \$90000 capital stock issued is balanced by the debit of Subscription, \$15000. When this journal entry has been posted to the general ledger of the new books, the books of the corporation are correctly opened. Warren should receive stock certificates of the par value of \$50000, and Carson stock certificates of the par value of \$25000.

When the subscriptions of the new stockholders, Harris, Jones, and Leavitt, are paid, an entry in the cash book crediting Subscription for \$15000 would be made, and stock issued to Harris, Jones, and Leavitt, to the par value of \$5000 each, making a total of \$90000, which is the amount of the stock subscribed and issued, and also the amount of the paid-up capital of the company. The stock issued would appear on the credit side of the stock ledger under the accounts of the respective stockholders. The cash item in the journal would be checked, since the amount appears in the cash book.

In the proposition just advanced and explained, let us suppose that the corporation does not care to go to the expense of purchasing new books, but desires to make such entries as will continue the books of the partnership as corporation books. Examining the above journal entry, it will be seen that the accounts showing the assets and liabilities of the old business are not changed after they have been closed in the books of the partnership and transferred to the books of the corporation. Therefore no entries for these accounts are necessary, as they will have the same balances in either form of business.

To change the books from the partnership form to the corporate form, the following journal entry is framed :

W. A. Warren,	\$46064.75	
E. B. Carson,	23935.25	
Good Will,	5000.	
Subscription,	15000.	
Capital Stock		\$90000.

When this entry has been posted to the general ledger, the books of the old business are correctly opened as corporation books.

The stock ledger, of course, will be opened exactly as in the first proposition, since the conditions are not changed. The capital stock is made up of the surplus of assets over liabilities (which is shown by the net worth of W. A. Warren and E. B. Carson); of good will, \$5000; of subscription, \$15000. The above journal entry when posted will balance the personal accounts of Warren and Carson, and also show the amount of subscription due and the value of the good will, while Warren and Carson will receive credit on the stock ledger for \$75000 worth of capital stock, leaving the remaining \$15000 to be credited to the proper persons when the subscriptions are paid.

4. The balance sheet of the Waugh Envelope Sealing Machine Company, capital stock \$50000, for the year ended December 31, 19—, showed net earnings for the current period of \$18375.84, which amount was carried to Surplus account. The directors on January 10 declared a semiannual dividend of 3% on the capital stock, the stock books to close January 15 and reopen February 1. The entry for the declared dividend would be :

Surplus,	\$1500	
Dividend,		\$1500

When the dividend is paid, the Dividend account would be debited in the cash book, which would balance the Dividend account for the period.

5. The balance sheet of the Harper Shoe Company for December 31, 19—, shows that the liabilities exceed the assets by \$13250. At a meeting of the stockholders, it was decided, in view of the prospects of the company, to meet the deficiency by a voluntary assessment. When the books are closed as of December 31, 19—, an Impairment account should be constructed to represent the deficit. The entry which would be framed to close the Profit and Loss account would be :

Impairment,	\$13250	
Profit and Loss,		\$13250

When the assessment is levied, each stockholder should be charged with his proportionate share in the stock ledger, and a journal entry should be framed, debiting Assessment and crediting Impairment for the amount of the assessment. When this entry has been posted, the Impairment account will balance, and when the assessment has all been paid, and the proper entry framed and posted, Assessment account will balance.

EXERCISES

The entries for the following exercises, with proper explanations, are to be framed on loose paper. No posting is required.

1. A, B, and C have organized a corporation for the purpose of building and operating an electric light plant, and of selling current to the public. The authorized capital stock is \$2000000, par value of the shares \$100. A subscribed for 500 shares, B, 300 shares, and C,

200 shares. Other subscriptions aggregated 7000 shares. The subscriptions were all paid in cash, and later 1000 additional shares were subscribed for and paid in cash.

Frame proper entries for the above transactions, and state the amount of stock remaining unissued.

2. To raise working capital, the stockholders of the Oro Mining Company donated 10000 shares of the stock of the company to the treasury. The par value of the stock is \$5, and it was estimated that it would sell for an average of \$2.50 per share. The treasurer reported that he had sold 1000 shares at \$3, 2500 at \$2.75, 5000 at \$2.50, 1000 at \$2.25, and 500 at \$2.

Frame proper entries for the above transactions, using the first method explained in proposition 2, page 260.

3. A corporation is formed with an authorized capital of \$200000, par value of the shares \$100, to take over a manufacturing business conducted by A and B as a partnership. The assets are to be taken at their book values, and the partners are to guarantee the full payment of all outstanding notes receivable and accounts receivable. Each partner is to receive \$75000 in stock for his interest in the old business, and \$50000 of stock is to be offered for subscription at par, to provide additional working capital.

The balance sheet of the old business shows the following assets and liabilities: *Assets.* — Cash, \$10375.25; Accounts Receivable, \$34216.81; Notes Receivable, \$18642.34; Finished Products, \$24211.96; Goods in Process, \$13687.25; Materials, \$15134.52; Machinery and Equipment, \$35917; Furniture and Fixtures, \$1252; Office Supplies, \$875.50; Shipping Supplies, \$217.75; Insurance on Goods, \$112.25. *Liabilities.* — Notes Payable, \$15875.25; Accounts Payable, \$13767.38. A's capital, \$62500; B's capital, \$62500.

Assuming that a new set of books is to be opened, and that C has subscribed for 200 shares, and D 300 shares, frame the journal entry that should be made on the corporation books when the old business is taken over. Frame the entry that should be made when the subscriptions are paid, and state in what other books records would be made for the transactions.

4. The balance sheet of the Consolidated Electric Manufacturers Company for Dec. 31, 19—, showed the following assets and liabilities, exclusive of surplus or deficit; *Assets.* — Cost of properties, including trade marks, patent rights, real estate, building and machinery, \$16359861.95; Investments in affiliated companies, \$575,000; Deferred charges to operations: insurance, interest and other periodical expenses, \$143146.89. *Current assets.* — Inventories of raw material, manufactured products, and supplies on hand, \$4077973.79; Accounts Receivable, \$1892705.86, less reserve for discounts, \$50000. Notes Receivable \$128680.01; Cash on hand and in banks, \$572680.22. *Current liabilities.* — Notes Payable, \$2661563; Loans, \$372176.64; Accounts Payable, \$158544.33. Capital stock authorized and issued — Preferred shares, \$100 each, \$5000000; Common shares, \$100 each, \$15000000.

From the above data prepare a balance sheet, including surplus or deficit, and arrange the assets and liabilities in the order of fixed and floating, with the quickest or most liquid asset last.

If the balance sheet shows a surplus, assume that a dividend of $1\frac{3}{4}\%$ was declared on the preferred stock for the period by the directors, and frame the entry that should be made for such declaration.

5. Assume that the balance sheet of the above corporation showed a deficit for the period ended June 30, 19—, of \$75162.19, and that there was no previous surplus, and that no assessment had been levied. State first, what the net earnings for the current period, available for dividends, must have been in order to wipe out the deficit and show the surplus as disclosed by the balance sheet. Second, frame the entry that would be made as of December 31, 19—, which would balance the account that represented the deficit, and create an account that would represent the surplus shown by the balance sheet.

QUESTIONS

- 1 What is a corporation?
- 2 Of what is a corporation composed, and how does it differ from a partnership?
- 3 How many general classes of corporations are there? State what they are, and describe each class.
- 4 What advantages and disadvantages do individual and partnership forms of business organization possess over the corporate form?
- 5 Define a trust; a holding company.
- 6 What is meant by government supervision, and how is it exercised?
- 7 How are corporations created?
- 8 How are corporations formed? Explain in detail how a corporation may be formed in your state.
- 9 Explain the difference between a "domestic corporation" and a "foreign corporation."
- 10 How is the capital stock of a corporation represented? Explain the different phases of this representation. What is treasury stock? How is it treated on the books?
- 11 What is a bond, as the term applies to corporation securities? Describe the different kinds of bonds, and state how bonds differ from stocks.
- 12 How are the profits and losses of corporations found? How are the net profits distributed?
- 13 What is meant by "surplus"? What purpose does it frequently serve?
- 14 By whom are corporations managed? Explain how their authority is obtained.
- 15 What are the usual officers of a corporation? The additional officers?
- 16 What are the duties of the secretary? How is he sometimes relieved of a part of his duties?
- 17 What relation does the treasurer sustain to the corporation? Explain his duties (1) in small corporations, and (2) in large corporations.
- 18 Is there a system of bookkeeping peculiar to corporations? Give a reason for your answer.
- 19 What books are peculiar to corporations, and for what purposes are they used?
- 20 What accounts are peculiar to corporations, and what accounts do they take the place of in proprietary and partnership businesses?
- 21 What is meant by "good will," and how is its value determined? How is it treated on the books? How may it be disposed of on the books?
- 22 When a going business is transferred to a corporation, what are the names of some of the new accounts which will be constructed?
- 23 Explain the steps to be taken, and the entries to be made, when a going business is transferred to a corporation, and a new set of books is opened.
- 24 What entries, when the old books are continued?
- 25 What entries would be made when stock is donated to the company and afterwards sold for cash? Explain both methods.

MANUFACTURING

Manufacturing is the converting of materials into finished products. All materials in their natural or raw state are the products of nature, and when used for manufacturing purposes are called "raw materials." Converted materials are called "manufactured products," or "finished goods." Products which are called finished goods in some industries are classed as raw materials in others.

Production. — Production is of two kinds, natural and industrial. Originally, industrial production, or manufacturing, was done almost entirely by handicraft, but now machinery has largely supplanted hand work in many of the operations. The substitution of mechanical for human forces in manufacturing results generally in saving of labor, increase of output, reduction in cost, and improvement in products.

Disposition of Products. — Some manufacturers dispose of their products through jobbers, commission merchants, or manufacturers' agents, while others maintain regular sales departments, through which their products are distributed to the wholesale trade. Concerns of the latter kind are both manufacturers and wholesalers. Still other manufacturers dispose of their products direct to the consumers, through the medium of retail stores, established and conducted as a part of their business. This class of concerns are both manufacturers and retailers.

The Factory System. — In the early stages of industrial production, manufacturing was carried on by the individual, working independently, or by the family working as a unit. Since the invention of machinery, and especially of the steam engine, which enlarged the field of machine operation, the old systems have been practically superseded by the "factory system," which combines the forces of labor, machinery, and administration into definite and effective units. The factory system is a universal method of industrial production, which can be applied to practically all kinds of manufacturing.

Factory Organization. — The purpose of organization is to increase the effectiveness of action. It enables a number of persons to operate more effectively as a concrete unit than they could as independent units. It permits of division of labor, which, in industrial operations, results in increase of skill and of productivity. Division of labor also results in specializing, or the concentration of thought and effort on a particular thing, thereby greatly increasing the efficiency of the operator.

The modern factory is a model of industrial organization. It is thoroughly organized as to its various departments, and every department is so operated as to contribute its due share to the purpose of the factory, and to the success of the business. Consequently the results are greater efficiency, increased output, and lower costs.

Factory Efficiency. — Efficiency, as applied to manufacturing, is based on a comparison between the quantity and quality of output, and the time, labor, and money expended upon it; or results compared with costs. Efficiency is obtained by saving in labor, the result of

the use of machinery ; by saving in time, the result of the division of labor ; by proper organization and supervision ; and by other improved factory methods.

The efficiency of the human agencies, or workmen, is dependent generally upon their intelligence, ability, and skill, and that of the mechanical agencies is dependent generally upon their usefulness, construction, power applied, upkeep, and the proper service of the operatives. Efficiency is also dependent upon factory conditions, as light, air, space, etc.

Manufacturing Activities. — The activities of a manufacturer comprise: the purchase and use of materials, machinery, and supplies ; the application of, and payment for, light, heat, and power ; of labor, and the supervision of the same ; and the distribution of the finished products. For these activities, and the expenditures connected with them, careful and systematic records are kept. A record of the quantities of materials purchased and used, received and delivered, is called "stock keeping," and a record of the costs for producing the finished products is called "cost keeping."

Manufacturing Records. — The records of a manufacturing business relate both to the production of the commodities and their distribution, and therefore are more comprehensive than are the records of any of the other kinds of business heretofore treated in this book. Some manufacturing concerns that are also wholesaling concerns keep one set of books, or records, for their manufacturing activities, and another set for their distributing or selling and general activities, while others combine the records of all classes of activities in one set. When two sets of records are kept, the manufacturing records are usually subsidiary to the other records, or regular business books.

Manufacturing Accounts. — The distinctive account in a manufacturing business is the Manufacturing account, which shows on its debit side the cost of materials, the productive labor cost, and the manufacturing expenses, and on its credit side the productive cost or the market price of the finished products. This account is represented by its subsidiary accounts, Materials, Labor, and Manufacturing Expenses, or the subdivisions of the latter account, as Indirect Labor account, Rent account, etc.

Other accounts peculiar to a manufacturing business are Machinery and Tools, Repairs and Renewals, Patterns, Patent Rights, Pay Roll, Finished Products, Depreciation, and such other accounts, real or nominal, as the nature of the business may require.

Classifying Expenses. — The expenses of a manufacturing business may be classified under three heads, manufacturing expenses, selling expenses, and general and administrative expenses ; and by constructing accounts to represent these three classes of expenses much time, as well as much space in the general ledger, can be saved. The trial balance and the profit and loss statement are simplified by this classification, and can be more easily and quickly made than when numerous nominal accounts are kept.

Analysis Book. — When the expenses are classified, as explained above, an analysis book is kept. This book contains a summary by months, of the expenses, classified in detail, and is compiled from analysis sheets, which are made up from the original records. In this way any desired information regarding the expenses of the business can be readily obtained.

Purchases. — When materials are required in a manufacturing business, this is indicated by the receipt of a "purchase requisition" from the superintendent of the factory, or of a "stock report" from the stock keeper. An order called a "purchase order" is then sent to the producer of, or dealer in, the materials wanted, and a copy of the order is sent to the accounting department to be filed until the invoice of goods is received, when it is compared

with the invoice after it has been O. K.'d by the bookkeeper from the stock clerk's report of goods received. The invoice is then recorded, and both purchase order and invoice are filed either separately or together. A copy of the purchase order is also usually sent to the stock department for a record of "stock ordered." (See forms of purchase order and duplicate below.)

PURCHASE ORDER BLANK

B81056

This Letter and Number must appear on your invoice

ORDER

Centre and Backford Sts., **Boston,**.....**1911**

TERMS:

To M

Send us

	QUANTITY		PRICE			PAY NO ATTENTION TO THESE COLUMNS	
						CLASS	DEL'Y
(1)							
(2)							
(3)							
(4)							
(5)							
(6)							
(7)							

REG.

MAIL INVOICE SAME DAY GOODS ARE SHIPPED.

(over)

THOMAS G. PLANT COMPANY.

BYPURCHASING AGENT.

Form 385-M-1-11

If there are any inquiries about the above call for 268 PER

DUPLICATE PURCHASE ORDER BLANK

Date.....1911

TERMS:

Nº 81056

☐ Name

Ship

			PRICE			SEPT. CLASSIF'N	DELIVER TO	INVOICES RECEIVED DATES			
<input type="radio"/>							1				
							3				
<input type="radio"/>							3				
							4				
							5				
							6				
<input type="radio"/>							7				

DATE OF REQUISITION

(DUPLICATE OF ORDER.)

Form 385

Ack'd

Accepted

Will ship

☐

Hurried

For Bill

Delivered

Record of Invoices. — In a merchandising business, invoices are charged to Purchases account, or to the department for which the goods were bought. In a manufacturing business, invoices are dissected and the items distributed to various accounts representing the purchases for which the transactions were made, as materials, machinery, tools, supplies, etc. In like manner, the bills for the expenditures are dissected, and the items distributed

to their respective accounts. To make this system of records complete, and have it cover all the items of purchase and expense, it is necessary to have a voucher for every purchase and expenditure, and to make a systematic and comprehensive record of the same. These requirements are provided for by the voucher system of accounting.

The Voucher System. — During recent years, there has been a great advance in the systematizing of accounts, and in the proper distribution of the various items of expenditure; and this is shown in its highest stage of development in the voucher system. This system requires a voucher for every transaction or for every entry on the principal books, and the use of a "voucher jacket" and a "voucher register."

The Voucher Jacket. — A voucher jacket, as its name indicates, is a jacket or cover for the voucher, which may be either an invoice or an expense bill. The face of the jacket is in the form of an invoice blank, with the form of a receipt blank below. It provides for the number of the jacket, name of the creditor, date, particulars, and amount of invoice, signatures of bookkeeper and manager, and for the acknowledgment of payment. Several vouchers from the same creditor or several expense bills may be included in one jacket. (See form, page 270.) The back contains a form for a brief record of the voucher, and the proper distribution of the same, which includes the number of the voucher, name of creditor, amount of voucher, when paid, check number, and accounts to be charged.

After the proper records have been made, both on the voucher jacket and in the books, the voucher is attached to the jacket, which is then folded with the back out, record side up, and filed under "Unpaid Jackets." When payment of the voucher is made, the proper record is made in the voucher record and on the back of the jacket, which is then sent with the remittance, to be receipted and returned. When the jacket is returned, it is again filed, with the original voucher securely attached to it, under "Paid Jackets."

In some voucher systems the voucher jacket is not sent out with the remittance, and hence does not contain the receipt blank.

Many business houses pay all invoices received from the first to the tenth of the month on the tenth, those received from the tenth to the twentieth on the twentieth, and those received from the twentieth to the end of the month on the first of the following month, and regard these as cash payments; and their creditors, having been notified of this method of payment, generally do not object to receiving such payments and allowing cash discounts.

VOUCHER CHECK

No. <u>2654</u>	<u>Oct. 5, 19</u>
(Your place here.)	
<i>Commercial Bank</i>	
Pay to the order of <u>Cutler & Porter</u>	\$ <u>1801. ²¹/₁₀₀</u>
<u>Eighteen hundred one ²¹/₁₀₀</u>	<u>Dollars.</u>
IN FULL PAYMENT OF VOUCHER NO. <u>2654</u>	
in College Currency: <u>W. J. Hilton Shoe Co.</u>	
<u>E. M. Hilton, Treas.</u>	

VOUCHER JACKET

No. 2678

St. Louis, Mo., Dec. 1, 1919.

Gould & Lincoln

Chicago, Ill.

In account with THE DARLINGTON SHOE CO.

Nov.	1	Invoice	net			275	85
	20	"	2/10	345	85		
	30	"	2/10	400			
				745	85		
			2%	14	92	730	93
						1006	78

CORRECT:

APPROVED:

*A.C. Miner**George Lacy*

BOOKKEEPER.

MANAGER.

\$1006 $\frac{78}{100}$

Chicago, Ill.,

19 19

Received of THE DARLINGTON SHOE CO.

Ten hundred six and $\frac{78}{100}$

DOLLARS

IN FULL FOR ABOVE ACCOUNT

(Please receipt and return promptly.)

BACK OF VOUCHER JACKET

Recorded in the month of <u>Nov.</u> <u>1919</u>	No. 2678	Amount \$1021 $\frac{78}{100}$	Receipt of	Gould & Lincoln	Paid <u>Dec. 1,</u> <u>1919</u>	Check No. <u>242</u>	DISTRIBUTION	SUNDRIES:	TOOLS	275	85	Machinery and Equip.	745	85	MATERIALS:	FREIGHT INWARD:	DIRECT LABOR:	MANUFACTURING EXPENSES:	FACTORY SUPPLIES:	INDIRECT LABOR:	SELLING EXPENSES:	GEN. AND ADMIN. EXPENSES:
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Payments of vouchers are made by voucher checks, and if a jacket is not returned as requested, the check is a receipt for the payment of the voucher. (See form of voucher check, page 269.) When a voucher is paid, the usual entry is made in the cash book, with the exception that the number of the voucher should be written in the number column, the number of the check being written in the check number column. (See form, page 275.)

Voucher Register. — The voucher register contains a record of all vouchers, and is the distinctive book of the voucher system of accounts. By its use the purchases ledger may be dispensed with; the total amount of Vouchers Payable Credit column, as shown in the register, will show the total credits to be carried to Vouchers Payable account, while the total amount of Vouchers Payable Debit column in the cash book will show the debits to be carried to Vouchers Payable. Of course the amount of the unpaid items in the Vouchers Payable Credit column should show at any time the amount of vouchers unpaid, which will be the accounts payable of the business, and these can be readily proved by comparing with the unpaid vouchers on file. The voucher register is provided with special columns for the numbers and particulars of the vouchers, and for the distribution of the amounts. As many columns may be provided for distribution purposes as the nature of business, or the classification of the accounts, may require. Accounts for which no special columns are provided are entered under "Sundry Debits." The vouchers are numbered in consecutive order in the special number column. (See form, pages 272 and 273.)

As soon as an invoice or an expense bill has been O.K.'d, a voucher jacket is made out and certified by the proper persons, after which the distribution of the amount or items is made to the proper accounts on the back of the jacket, and from this the distribution is made in the voucher register.

Some accountants do not record the voucher jackets until the time arrives for the payment of the vouchers.

When the vouchers for the month have been recorded, the Vouchers Payable Credit column and the special distribution columns are footed, and the columns ruled off. The total of the footing of the Sundry Debits and distribution columns should agree with the footing of the Vouchers Payable Credit column. The footing of the Vouchers Payable Credit column is posted to the credit of Vouchers Payable in the general ledger. The items in the Sundry Debits column and the footings of the various distribution columns, excepting the General column, are posted to their respective accounts in the general ledger. The items under Manufacturing, Selling, and Gen. Adm. Expenses are posted to the various accounts in the expense ledger. A check mark with the folio of the account written over it should be placed opposite the footing of each posted column to indicate that the amount has been posted.

Cash Book. — The form of cash book used in a manufacturing business is essentially the same as that used in a wholesale business. It usually contains special columns which adapt it to the requirements of the business. The form of cash book shown on pages 274 and 275 is well adapted to any manufacturing business where the voucher system is used. It provides for a record of the actual receipts and disbursements, and can be easily and quickly audited.

Imprest Fund. — Every well-conducted office gives a great deal of attention to the proper safeguarding of cash. The usual practice is to deposit daily all cash received in whatever form, thus making the daily deposit exactly equal the daily receipt. When this is done, all disbursements must be by check, except those which, for the sake of necessity and convenience, must

VOUCHER

DISTRIBUTION OF VOUCHER JACKETS

VOUCHER No.	DATE		IN FAVOR OF	EXPLANATIONS	VOUCHERS PAYABLE CREDIT		SUNDRY DEBITS					
							Folio	Account	General	Accts. Rec.		
2819	19—	1	R. T. Prince	G/A Sal. 70	2152	65		M'chy & Equip.	164	50		
2820		3	I. B. Stone	Inv. 12/1 (off. sup.)	25	15						
2821		5	A. H. Henry	Nov. S. 200. Exp. 139. 52	339	52						
2822	12	Brandt Mfg. Co.	Inv. 12/10	164	50							
2823	19	Union Leather Co.	" 12/14	562	19	✓	Real Estate Accts. Rec.	118	75		2	50
2824	21	Munn & Son	" 12/20	13	65							
2825	25	Cox Casting Co.	Bill 12/24 O. Frt. 18. 77	67	42							
2826	27	J. T. Lyman	" 12/26	118	75							
2827	31	Imprest Fund	Dec. disb.	89	36							
2828	31	Dodd Leather Co.	Inv. 12/31	1362	75							
2829	31	United Shoe M'chy Co.	Royalties 12/31	307	61							
2830	31	A. H. Henry	Dec. S. 200. Exp. 152.60	352	60							
					13	5556	15					
								283	25	72	50	

be made in currency. The currency needed for this purpose is provided in a separate fund called a Petty Cash Fund or an Imprest Fund.

To establish such a fund, a voucher is made out, if the voucher system is used, for an amount which it is estimated will be sufficient to meet all currency disbursements for a month; the voucher being entered in the Voucher Register as a debit to Petty Cash Fund or to Imprest Fund. After proper approval has been obtained, a check is drawn for the amount of the voucher and entered in the cash book. This check is cashed and the currency is placed in the hands of the petty cashier.

The fund thus created stands on the general ledger without change unless it is desired to increase or decrease it. The cashier is made responsible for the original fund and must at any time be able to produce cash, or cash and petty cash vouchers or receipts, which will exactly equal the original fund.

Petty Cash Book. — This is a special auxiliary book which contains a record of all currency disbursements. As currency is paid out for any purpose, a receipt or voucher is procured and an entry made in this book. At the close of each month, or earlier if necessary, the Cashier summarizes all payments as shown by the Petty Cash Book and supported by the vouchers, and turns over the summary, together with the vouchers, to the bookkeeper or treasurer for reimbursement. A voucher is prepared for the total amount disbursed, and the proper general ledger accounts charged, through the Voucher Register, with the amounts disbursed affecting each account.

The corresponding credit would be to Vouchers Payable. A check is then drawn in payment of the voucher and entered in the cash book as a debit to Vouchers Payable. The check is cashed and the money turned over to the petty cashier, which restores the cash in the fund to its original amount. The petty cash book is balanced monthly.

Stock Keeping. — The keeping of an accurate record of materials is of special importance in a manufacturing business. It serves to show not only the quantities received and used, but also the quantities which should be on hand at any time. This not only prevents the necessity of taking frequent physical inventories, but also serves as a basis for ordering and keeping up stock, and for other purposes, including the checking or proving of the physical

REGISTER

MONTH OF December 19 .

PAID			PRIME COST			MANUFACTURING EXPENSES			SELLING EXPENSES			GEN. ADM. EXPENSES		
Date	Ck. No.		Materials	Inward Freight	Labor	Fol.	Account	Amount	Fol.	Account	Amount	Fol.	Account	Amount
Dec. 1	1307				1876 50		Ind. Labor	206 15					Office Sal.	70
3	1318												Office Sup.	25 15
5	1324									S. Salary	200			
										S. Expense	139 52			
19	1332	562 19												
21	1340						Facty. Sup.	13 65						
25	1356			48 65						Frts. Out	18 77			
31	Imp. Fd.						Misc. Exp.	46 18		Ship. Sup.	29 15		Mis. of Ex	11 53
		1362 75					Royalties	307 61						
										S. Salary	200			
										S. Expense	152 60			
											740 04			
			1924 94	748 65	1876 50			573 59						106 68

inventories, thereby detecting waste or theft. Such a record is called a "perpetual inventory."

The nature of the goods manufactured will determine somewhat the kind and form of stock books, or of stock records, which should be kept in any particular manufacturing business. The stock ledger is the chief book in any stock-keeping system. It contains accounts by quantities with every kind of material used in the manufacture of the finished products. The debits of these accounts are made from the invoices after they have been checked by the receiving department, or from the receiving book or other receiving record, and the credits are made from the requisition slips after the requisitions have been filled by the stock department, or from the stock journal or other record.

The card ledger form of record is admirably adapted for use with any stock-keeping system. The illustration on this page shows a common form of stock-ledger card.

A record should be kept of factory supplies, both received and used, and of finished products. The records of these three classes of stock can be readily distinguished by the use of different colored cards.

FORM OF STOCK LEDGER CARD

Article						Location			Unit	Max.	
										Min.	
RECEIVED			DELIVERED								
Date	Ordered	Received	Date	Quantity	Balance	Date	Quantity	Balance	Date	Quantity	Balance
		</									

For storing material or stock so that it can be easily located, and conveniently obtained when wanted, bins are generally used. The

bins are arranged in divisions according to departments, and each bin bears a label containing the number of the bin, and the name of the material or stock for which it is used.

Production Methods. — There are two general methods of production in manufacturing, called "the production order method" and "the process method." The production order

DATE	ACCOUNT	EXPLANATIONS	FOLIO	ACCOUNTS RECEIVABLE	CASH SALES	DISCOUNT ON SALES	NET RECEIPTS
19—							
Nov.	1 Balance	in Exchange Bank					13942 26
	2 G. H. Deane & Co.	inv. 10/20-2%		786 40		15 73	770 67
	3 Sales	L. B. Smith	√		132 60		132 60
	3 Elgin Trading Co.	inv. 10/25-2%		1268 70		25 37	1243 33
	4 Notes Receivable	Field & Co. disc. 60 ds.	×	1500		15	1485
	4 Sales	Sherwood & Co.	√		194 89		194 89
	5 Dodge & Pond	inv. 10/26-2%		942 80		18 85	923 95
	5 Empire Shoe Co.	on acct.		500			500
	6 Marsh & Cox Co.	inv. 11/1-net		1988 75			1988 75
	6 Notes Payable	our note 4 mo. disc.	×	4200		43 70	4156 30
	Sundries		√	5700			
	Accounts Rec.	Cr.		5486 65			
	Sales	Cr.			327 49		
	Discount on Sales	Dr.				59 95	
	Interest on Notes Receivable	Dr.				58 70	11395 49
	Cash	Dr.					13942 26
√	Balance, Nov. 1						25337 75

method is used where the nature of the product is such that accurate records can be kept of each article or lot from the beginning of its manufacture until it becomes a finished product. This method is applicable to a very large list of commodities. The process method is used where it would be impossible or difficult to apply the production order method, as where the workmen's time on each lot cannot be definitely reported.

Cost Keeping.—As applied to manufacturing, cost keeping is a systematic record of every item of cost connected with the production of commodities. The principal objects of these records are: to determine the actual cost of each article or lot of articles manufactured, so as to be able to fix a selling price which will net a desired profit, or to show the profit when the selling price is fixed by competition or other causes; to ascertain the productivity and efficiency of the productive agencies; to serve as a guide in regulating output and expenditures; and to show where profits may be increased by increase in efficiency, or by reduction in expenditures.

There are numerous cost keeping, or cost finding, systems applicable to the various lines of business, or to different conditions in the same line. Most of these systems are the results of careful study, experiment, and experience. The best cost keeping system for any particular business is the one which will give the desired information with the least expenditure of time, effort, and money. Cost keeping may be applied to almost any kind of business, but it is especially valuable in a manufacturing business.

Elements of Cost.—The elements of cost are: *prime cost*, which is the combined cost of materials and direct labor; *factory cost*, which is direct factory expense added to the prime cost; *total cost*, which includes factory cost, general expense, and selling expense. The *selling price* combines all of the above elements, and the profit.

The accompanying diagram illustrates the method of building up costs to find a selling price which will net a desired profit, or to find the amount of the profit when the selling price

DATE	IN FAVOR OF	EXPLANATIONS	Folio	CHECK No.	VOUCHER No.	VOUCHERS PAYABLE	DISC. ON PURCHASES	NET DISBURSEMENTS
19— Nov.	1	Imprest Fund		388	2748	100		100
	1	Union Leather Co.	✓	389	2749	654	30	654 30
	1	C. B. Thomas Co.	✓	390	2750	576	40	576 40
	2	United Shoe M'chy Co.	✓	391	2753	431	62	431 62
	3	Banning Findings Co.	✓	392	2752	276	21	270 69
	5	R. B. Johnson & Co.	✓	393	2751	1200	60	1140
	5	Dodd Leather Co.	✓	394	2754	1896	75	1801 91
	5	R. T. Prince	✓	395	2755	3600	50	3600 50
	5	Excelsior Thread Co.	✓	306	2756	64	48	64 48
	6	Coll. and Exch.						5 50
		Vouchers Payable	Dr.			8800	26	5 50
		Discount on Purchases	Cr.				160 36	
		Cash	Cr.					8645 40
		Balance	in Exchange Bank					16692 35
								25337 75

is fixed by competition or other causes. In the latter case the producer gets as profit the difference between the total cost of the article and the price at which he is obliged to sell it, while in the former case he gets the profit he desires to have.

The selling price represents the whole, or one hundred per cent, and each of the parts of which it is composed represents such a percentage of the whole as the cost of the part or the ratio of the profit, bears to one hundred per cent. If an article which is priced at \$5.40 has in it material which cost \$1.08, and the other costs were \$1.35 for labor, 97.2 cents for burden, and \$1.198 for expense, and the profit was 81 cents, the percentages would be 20, 25, 18, 22, and 15 respectively.

DIAGRAM OF COST FINDING

PROFIT 15%	SELLING PRICE 100%
EXPENSE 22%	TOTAL COST 85%
BURDEN 18%	FACTORY COST 63%
LABOR 25%	PRIME COST 45%
MATERIAL 20%	

Production Order. — The manufacture of goods is authorized by a "production order," which is issued by the office to the factory, and which contains the order number, date of order, description of the articles to be made, the quantity, etc. There are numerous forms of production orders. Those generally used in connection with cost systems are designed to contain, in addition to the information mentioned above, data relating to quantity and cost of material, workmen's time, and cost of operations. Several copies of the production order are usually made, one of which is sent to the cost department.

Material Requisition. — The materials required for the articles called for in the production order are obtained by each of the different factory departments from the stock department by a "material requisition" made out by the foreman. This requisition contains the date, number of the order, name or number of the department, quantity and description of

materials required, signature of the foreman, or person who authorized the requisition. After the stock clerk has filled and recorded the requisition, it is sent to the cost department.

Labor Ticket. — The time spent by a workman upon an article or on any part of the work is recorded by him on a labor ticket, or time card, which he turns in to the foreman when he has finished his work. There are many forms of labor tickets, or time cards, and the form used in any business will depend upon the information required, and the conditions under which the goods are manufactured. A typical labor ticket, or time card, provides for a record of the workman's name, or number, date, article or part, time spent, or quantity made if piece work, rate, amount, and foreman's O. K. The purposes of the labor ticket are to determine the cost of productive labor and the efficiency of the workmen. After the labor tickets have been turned in and recorded, they are sent to the cost department.

Pay Roll. — A record of the total amount of time worked, or of the total number of pieces done by each workman, and the amount of money he has earned is kept in a "time book" or a "piece book." There are numerous forms of pay rolls, and various ways of recording the time of the workmen. In factories where the wages are paid by the day or the week, the time of the workmen is taken either by time keepers or by means of mechanical time recorders. The time keeper records daily in the time book, the time, both morning and afternoon, when each employee enters and leaves the factory. The mechanical time recorder registers automatically on a strip of paper or on a card the "in" and "out" time of each workman, which he has "rung up" by means of a key or lever punch.

The pay roll is made up from the time book, or from the time cards or time slips after they have been removed from the time recorder, and also from the piece book.

Division of Cost. — For cost keeping purposes, cost has been divided into three parts: cost of materials, cost of labor, and indirect expense; also called overhead charges and burden. The cost of materials is found through the material requisitions, and the cost of labor through the labor tickets. The cost extensions on these requisitions and tickets are made by the cost clerks, and a record is made of each article or lot on a "cost record" or on a "cost ledger." The cost record shows the production cost of each article manufactured, and includes the cost of materials, the direct or productive labor cost, and the indirect expense or burden. It is therefore a record of prime cost of production. The cost ledger shows the productive cost, selling cost, and the general and administrative expenses, and is a complete cost record.

Wage Systems. — There are several systems or plans of paying wages, among the most common of which are the day rate plan and the piece work plan. Others are the preferential, the premium, the bonus, and the profit-sharing plans.

The day rate wage plan consists of paying the workman a certain rate per day or per hour. The piece work plan provides for paying the workman for the exact amount of work done by him, measured by the number of articles or parts he turns out.

The other wage plans are too comprehensive for proper treatment in this book.

Burden. — The indirect factory expense or burden includes the salary of the superintendent, wages of the foremen and other unproductive or indirect labor, cost of factory supplies, rent, light, fuel, and power, insurance, maintenance or upkeep, taxes, depreciation, etc. In other words, burden includes every expense connected with the production of an article except the cost of materials and the direct labor cost.

The indirect expense or burden cost is found in the accounts in the general ledger. The costs of materials, and of direct or productive labor, are found separately in the cost ledger.

and collectively in the general ledger. Separate accounts and separate pay rolls may be kept for direct and indirect labor, or only one account and one pay roll may be kept for both; in the latter case it would be necessary to analyze the account or pay roll to find the two labor costs.

Distributing Burden. — When the cost of burden has been found, it is distributed over each of the articles manufactured during the period in one of several ways. The following are some of the methods of distributing burden most commonly used in connection with modern cost systems: direct labor cost method; direct labor hour method; direct labor and material method; new machinery method; new pay rate method. The method to be used will depend upon the wage system under which the factory is operated, the nature of the products, and other factory conditions.

When the direct labor cost method of distributing burden is used, the ratio is found by dividing the total burden cost by the total labor cost for any given period. Thus if the total burden cost for a month is \$3000, and the total labor cost is \$6000, the ratio of burden is 50%, and this percentage is added as burden to each article manufactured during that month. Hence, if the material in one of these articles cost 70 cents, and the labor on it cost 90 cents, the prime cost would be \$1.60, and the cost of burden would be 45 cents; the cost to make or factory cost would be \$2.05.

The direct labor hour method of distributing burden is based on workmen's time instead of labor cost, the hour being taken as the unit of time. The rate per hour is found by dividing the total cost of burden for the period by the total number of labor hours, and the percentage thus found is added as burden to the prime cost. This method is regarded by cost accountants as more equitable and satisfactory than the direct labor cost method.

By the direct labor and material method the total cost of burden is divided by the cost of both material and labor for the period, to find the percentage of burden. This method is practicable only when the material forms the greater part of the prime cost of the article.

The student is referred to the special books on cost keeping for a further explanation of the methods of distributing burden, their treatment here being necessarily brief.

Production Reports. — When the finished products are sent to the stock rooms, or to the sales department, a "Production Report" is made out, which shows the names or numbers of the goods, the quantities, and the factory cost. From this report an entry is framed in the Finished Stock record, or purchases journal, debiting Finished Goods and crediting Materials, Direct Labor, and Manufacturing Expenses. The Finished Goods account corresponds to the Purchases account in a mercantile business.

When the goods turned over to the sales department are charged to Finished Goods account at market price instead of at factory cost price, some nominal account should represent the difference between the two prices to show the manufacturing profit. Some accountants use the general Profit and Loss account for this purpose, while others construct a special account.

Goods in Process. — At the end of a fiscal period, the goods in process of manufacture are inventoried at their factory cost, and this is found in the same way as for the finished products.

SHOE MANUFACTURING BUSINESS

Shoe Manufacturing. — The statements of principles and practices heretofore made regarding manufacturing, and the forms illustrated therewith, will apply to almost any kind of manufacturing industry. The transactions which follow are especially designed to illustrate

the application of these principles and practices to, and the use of some of the forms in, a shoe manufacturing business.

The shoe business was selected to illustrate modern manufacturing because the industry of making shoes ranks near the head of the manufacturing activities of the United States. This typical American industry employs about \$300,000,000 of capital, and over 200,000 persons, and turns out over 250,000,000 pairs of shoes a year.

Organization. — The modern shoe factory is usually organized into five departments, viz. : Leather Room, where the soles are cut and heel pieces are put together ; Cutting Room, where uppers and linings are cut ; Fitting Room, where uppers are made (upper parts put together) ; Bottoming Room, where the uppers are lasted, the soles and heels put on, and the shoes finished ; Shipping Room, where the sock linings and laces are put in, and the shoes are ironed, dressed, inspected, and made ready for shipment. Each room is under the charge of a foreman, and the entire factory is under the direction of a superintendent.

In some of the very large shoe factories, where nearly all of the work is done by machinery, the organization of the factory and the work done in each department differ somewhat from that described above.

Materials. — In the manufacture of shoes, leather is the principal material used for the outside, and leather and cloth for the inside. Some shoes have cloth uppers, and leather or rubber outsoles. Other materials which enter into the making of shoes are thread, eyelets, buttons, etc., and are called "findings."

Lasts and Patterns. — For the shaping and making of shoes, lasts and patterns are required. Lasts are wooden and iron forms, known as "first lasts," and "second lasts." First lasts are the exact sizes and shapes which the finished shoes will be, and are used when the uppers are being attached to the soles. The second lasts are only approximately the sizes and shapes of the finished shoes, and are used in the supplementary operations, after the shoes have been lasted ; that is, after the uppers have been sewed to the soles.

Patterns are used for cutting uppers and linings. This cutting is done by hand in some factories, and by machines in others. When machines are used for cutting, dies are used instead of patterns. Dies are also used for cutting insoles and outsoles.

Production. — From the earliest times until about the middle of the nineteenth century, footwear was made entirely by hand, with the aid of simple tools, such as lapstone, hammer, awl, and pincers ; but during recent years, the ancient way has been displaced by a system of machines which turn out perfect shoes by the hundred in the time it took the old-style workman to make a single pair. In the making of every good shoe in the modern shoe factory, no less than 58 different machines are used. These machines are of the most delicate and intricate nature, are nearly human in their operation, and more than human in the accuracy and perfection of their results.

Shoes are made by several processes, and in various styles, sizes, and widths, and the customer's order indicates what is wanted in these respects. Each kind and style of shoe is designated by a name and a number, and each shoe bears the factory number and size on the top lining.

Each lot is given an order number, and this number, together with the details affecting the preparation of the shoe upper, are written on tags — one for each lot of shoes — which are sent to the foreman of the cutting room. Others containing the details regarding the sole leather are sent to the leather room, while a third set of tags is sent to the foreman of the bottoming room. On the back of each set of tags are printed the names of the different opera-

SHOE PRODUCTION ORDER TAG

Tops	Case No.		Pairs		Description								Grade		Qual. Wt.								
	Pattern		Foxing		Lace Stay		Butt. Fly		Collar		Tip		Vamp		Back Stay		Laces		Bows				
			Perf.		Perf.								Perf.										
	Lining	Topband	Fly, Or. L. S. Lin'g		Eyelets		Buttons		Labels		Emb's's'ng		St No. on Lin'g		Sizes		Cartons		Bot. St'p				
	Cutting Instructions								Fitting Instructions								Special Instructions						
McKay	Pairs	Width	1	1/2	2	1/2	3	1/2	4	1/2	5	1/2	6	1/2	7	1/2	8	1/2	9	Entered			
Last		Heel		Edge				Sh'nk St'p		Fr. St. T'hd		Welt		Finish		Sole		In-sole		Coun-ter		Sock Line	
Special				For														Wanted					

BACK OF SHOE PRODUCTION ORDER TAG

A deduction will be made from the regular price on inferior work. Anyone who fails to report a damaged shoe will have to pay for same. PUT YOUR NAME opposite the work you do.

Outsides	Upper Marker
Skiver	Date Out
Vamp Linings	Staying Qtrs.
Top Bands	" Fox
Stitch Stay	" Side Vps.
Labels	Stitch Fox
1st Closer Qtrs	" Tips
" " Fox	and Closer
" " Side Vps.	Beading
" " Back Vps.	Stitch Edges
Cementing Vps.	Eyeletting
" Qtrs.	Butt. Holes
" Fox	Stitch Lace Stays
Folding Vps.	Vamping
" Qtrs.	Toe Seaming
" Fronts	Barring
" Fox	Lace and Tie
Assembler	Breast Scourer
Fuller Over	1st Scourer
Laster	2nd Scourer
Tacker	Wheeling 1st
McKay Sewer	Edge Trim.
Seat Nailer	Inker
Fair Stitcher	Wheeling 2nd
Cementer	Edge Setter
Leveller	Sand Paper
Heeler	Cuffer
Sluggier	Heel Burnisher
Breaster	Finisher
2nd Laster	Cleaner
Heel Trim	Stamper
Sockliner	Tip Fixer
Lacer	Inspector
Ironer	Packer
Dresser	Creaser

tions covered by the tag, with spaces opposite for the names of the operatives who do the work. These tags are production orders; they follow the shoes from one department to another; then, after being checked, they are sent to the superintendent's office, and from there to the cost department, and finally back to the office from which they originated.

The form of production order, or shop tags, and the method of distributing them, vary in different shoe factories, owing to the difference in the organization of the factories, and in the grades of shoes manufactured. In some factories several copies of the production order, which are printed on ordinary paper, are fastened to the shop tag, or complete order, the back only of which contains the names of the operations, and spaces for the names of the operatives.

The production particulars are typewritten on all copies of the order, by manifolding, and the set is sent to the superintendent of the factory, or direct to the leather room, if there is no superintendent.

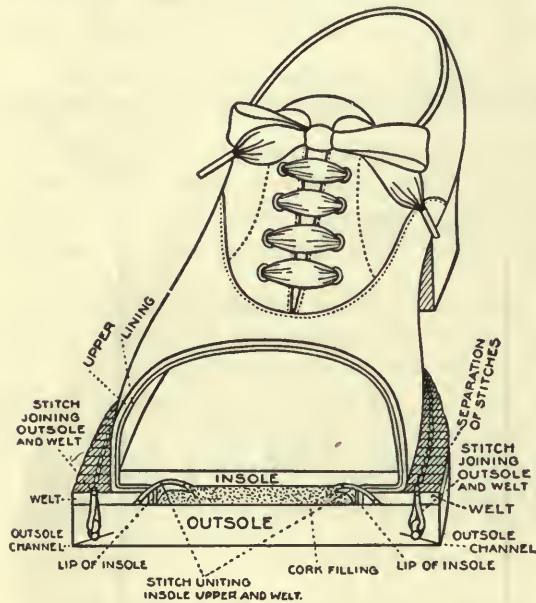
After the soles and heels have been cut out, and the proper records have been made on the back of the tag, the leather order is detached, and the remainder of the set is sent to the cutting room, where it is handled in the same way, after which the remainder of the set is sent to the next department, and so on until the lot is finished. The shop tag is sent to the shipping room, or packing room, with the finished goods.

Processes. — There are three general processes of sewing the uppers to the soles of the shoes by machines, known as the "McKay Process," "Goodyear Welt Process," and the "Goodyear Turn Process."

By the McKay Process, stitches are passed through a groove or channel in the outsole, and into and through the underlaps of the upper and insole, inside the shoe.

By the Goodyear Welt Process, which is similar in method to the hand-sewed process, the sole is sewed to a narrow strip of leather called a "welt," which has been previously sewed along the edge of the shoe, beginning where the heel is placed, and ending at the same point on the opposite edge. By this process the inside of the shoe is left smooth, as the stitches are on the outside, instead of on the inside, as in the process previously described.

By the Turn Process the sole is sewed to the upper, with both parts turned inside out, after which the shoe is turned right side out, and finished. As there is no inner sole in turned shoes, they are more flexible and easier to the foot than are shoes made by the other processes.



Finished Goods. — After the goods are finished, they are packed in cartons (paper boxes), properly labeled, one pair in each carton, and the filled cartons are packed in wooden boxes, or cases, and shipped.

In this work, it will be assumed that the shoes are made "on order," by both the Goodyear Welt Process and the Turn Process, the original orders being taken and sent in by traveling salesmen. Duplicate orders, or "re-orders," are sent by the customers direct to the house, or given to the salesmen when they call.

GENERAL EXPLANATION

Records. — Only the general records of the business are kept in the accounting department. All orders are handled by the sales and shipping departments. The bill and charge system is in operation in the sales department. All freight shipments are made under the straight bill of lading, unless otherwise required, and all bills are made in triplicate on billing machines, the original bill being sent to the customer, the duplicate to the bookkeeper, and the triplicate being placed in the sales binder for reference.

Books Kept. — The books which will be kept in this business are journal, general ledger, sales ledger, expense ledger, general cash book, petty cash book, sales journal, voucher register, analysis book, and notes receivable and notes payable books. The forms of these books are illustrated, or are the same as before used, except the journal, which has two debit columns, — Notes Receivable, and General, — and two credit columns, — General, and Accounts Receivable.

Distribution. — The distribution charges in the voucher register will be made in accordance with the following classifications :

Real Estate, for cost of all permanent improvements made on the land and buildings.

• *Maintenance of Real Estate*, for cost of repairs on buildings.

Machinery and Equipment, for cost of new machinery purchased, boilers, engines, motors, inside electric wiring, piping for heat or light, belting, etc., and cost of setting up or installing machinery purchased, and for cost of equipment.

Tools, for cost of new tools, and movable articles used about the factory in connection with production, as rollers, trucks, movable scales, time recorders, etc.

Materials, for invoice cost of all materials used for production purposes, as leather and findings.

Freight Inward, for cost of freight on materials purchased.

Direct Labor, for cost of productive labor on goods manufactured.

Office Equipment, for cost of safes, desks, chairs, typewriters, billing machines, adding machines, filing cabinets, letter copying devices, time recorders other than those purchased for use in the factory.

Manufacturing Expenses, for cost of all indirect expenses connected with production. Some of these expenses are Factory Supplies, Indirect Labor, Fuel, Light and Power, Repairs and Renewals, Royalties, etc.

Lasts and Patterns, for costs of lasts, patterns, and dies.

Selling Expenses, for cost of expenses connected with the sales of the goods. They include salesmen's salaries and expenses, advertising, circularizing, postage on same, shipping department wages and supplies, freight outward, insurance and taxes on finished goods, etc.

General Administrative Expenses, for cost of administration and general expenses. They include salaries of officers and office help, office expenses, office supplies, office postage, telephone charges, telegrams, corporation taxes, etc.

PRELIMINARY WORK

DECEMBER 1, 19—

The W. J. Hilton Shoe Company was organized as a business corporation Jan. 1, 1910, with a capital stock of \$200000, par value, \$100 a share, of which \$180000 worth has been issued. The present stockholders, and their holdings, are as follows: W. J. Hilton, \$85000; E. M. Hilton, \$40000; E. C. Wardner, \$35000; (Teacher), \$10000; E. M. Merriam, \$9000; (Student), \$1000.

The president of the corporation is W. J. Hilton; vice president, E. C. Wardner; secretary, R. H. Merriam; treasurer, (Student); manager, (Teacher).

The members of the board of directors are W. J. Hilton, E. M. Hilton, E. C. Wardner, (Teacher), and (Student).

The salary per year of the president is \$3000; of the treasurer, \$2400; of the secretary, \$1800; and of the manager, \$3600.

The low salaries of the officers are due to their large holdings of the stock, which insures their getting a proportionately large share of the profits in dividends. If much of the stock were held by outsiders, these salaries would be much larger, and more in keeping with the services rendered.

The business has been continued since its organization, and is at present in active operation. For the purpose of giving the student practice in making the business records and the statements of results of a going manufacturing concern, he will take up the work at the begin-

ning of the last month of a fiscal period, and continue it until the end of the period, making the records in his own set of books.

The trial balance taken Nov. 30, 19— shows the following balances in the general ledger. You will then enter these balances in your general ledger, allowing one-fourth of a page space to each account. Make the date of entry *Dec. 1, 19—* and write *Balance* in the explanation column.

TRIAL BALANCE, NOVEMBER 30, 19—

THE W. J. HILTON COMPANY

Land	10000.	
Buildings	63742.50	
Machinery and Equipment	55903.25	
Tools	4376.85	
Lasts and Patterns	12589.60	
Office Equipment	3580.40	
Good Will	30000.	
Materials	156163.65	
Goods in Process	84109.20	
Finished Goods	13416.60	
Freight In	3339.32	
Factory Supplies	4951.53	
Accounts Receivable	43996.47	
Notes Receivable	4895.	
Interest	126.70	
Cash	22582.78	
Capital Stock		180000.
Reserve for Depreciation on Buildings		\$15943.73
Reserve for Depreciation on Machinery and Equipment		2824.55
Reserve for Depreciation on Lasts and Patterns		8118.95
Reserve for Depreciation of Office Equipment		1064.52
Reserve for Bad Debts		2895.10
Vouchers Payable		30629.
Notes Payable		13500.
Surplus		21893.
Sales		422189.85
Returned Purchases		1362.10
Returned Sales	2685.40	
Allowances to Customers	362.75	
Discount on Sales	8491.14	
Direct Labor	132440.60	
Manufacturing Expenses	16043.47	
Selling Expenses	22616.36	
General Administrative Expenses	10838.49	
Discount on Purchases		6831.26
	<u>707252.06</u>	<u>707252.06</u>

EXPENSE LEDGER

In order to reduce the number of operating expense accounts in the general ledger, controlling accounts may be opened with each main division of expense, a subsidiary expense ledger being provided for the detailed accounts coming under each division. This is a further development of the plan of special ledgers, each one being connected with the general ledger by means of a controlling account. In addition to a fewer number of accounts to be carried in the general ledger, the practice results in a better systematizing of the work, the clerical work may be more satisfactorily assigned to different clerks in a large office, and a smaller number of special columns is necessary in books of original entry.

Another method of handling detailed expense accounts is by providing a special book for Analysis of Operating Expenses. This book would contain the expense items in detail coming under each division with twelve parallel money columns for each month of the year. The detailed items are transferred each month in total to the proper columns. The Analysis Book at the close of the year would show comparative expense items by months for the entire year.

In this set, a subsidiary ledger is used containing three sections for Manufacturing Expenses, Selling Expenses, and General Administrative Expenses, respectively. In the manufacturing section, accounts should be opened for the accounts listed below which belong to this group, and for other accounts as they arise in the December transactions; likewise in the sections for Selling Expense and General Administrative Expense, accounts should be opened for each subsidiary account listed in the groups below. Each account should be debited with the proper amount under date of December 1, such amounts representing the total expense of that class from January 1 to November 30. The total balances of the accounts of each class agree with the balances shown by the controlling accounts with the general ledger trial balance.

MANUFACTURING EXPENSE	JAN. TO NOV.
Fuel, Light, and Power,	3547.50
Repairs and Renewals,	1125.
Royalties,	6371.20
Insurance on Machinery, etc.,	203.25
Taxes on Machinery, Materials, etc.,	216.52
Indirect Labor,	4580.
	<u>16043.47</u>

SELLING EXPENSE	
Salesmen's Salaries,	10468.70
Salesmen's Expenses,	7906.60
Shipping Department Wages,	2200.75
Shipping Department Supplies,	1033.40
Insurance on Finished Goods,	287.48
Taxes on Finished Goods,	223.15
Freight Outward,	496.28
	<u>22616.36</u>

GENERAL ADMINISTRATIVE EXPENSE	
Office Salaries,	6416.67
Office Help,	3542.85
Office Supplies,	185.40
Insurance on Plant,	126.
Taxes, Corporation,	119.37
Misc. Office Expense,	448.20
	<u>10839.49</u>

ACCOUNTS RECEIVABLE

In your sales ledger construct accounts with each of the following concerns, allowing one-fourth page to each account, and enter on the proper side the date, terms, and amount due from each. See that the total of these debit footings equals the amount of Accounts Receivable, as shown in your general ledger.

The accounts receivable are as follows :

Hub Shoe Co., Boston, Nov. 25, net 30, 2/10,	2786.45
Dodge & Rice, Boston, Aug. 4, 4 mos.,	4210.
Pond & Eaton, Boston, Nov. 3, net 30,	1782.45
Providence Boot & Shoe Co., Providence, R. I., Oct. 5, net 60,	1242.50
E. F. Woods & Co., Providence, R. I., Nov. 24, net 30,	1446.
Sam Stone & Co., Danbury, Conn., Nov. 20, net 30, 2/10,	798.50
Geo. H. Deane & Co., Hartford, Conn., Nov. 28, net 30, 2/10,	1342.75
New Haven Trading Co., New Haven, Conn., Nov. 27, 2/10,	2836.70
E. M. Lyons & Co., New Haven, Conn., Oct. 30, net 30,	628.50
Bay State Shoe Co., Worcester, Mass., Nov. 25, 3/15,	3245.50
Marsh, Fielding Co., Chicago, Nov. 15, 2/30,	4697.50
Quaker Shoe Co., Philadelphia, Nov. 18, 3/30,	6255.75
Hamilton, Brown Shoe Co., St. Louis, Mo., Oct. 1, sight draft 60 ds.,	4875.20
Pittsburgh Furnishing Co., Pittsburgh, Pa., Nov. 20, 2/15,	4219.70
Rich, Lantz & Harris, Cleveland, O., Sept. 14, 90 ds. net,	3628.97

UNPAID VOUCHERS — VOUCHERS PAYABLE

In your envelope marked " Voucher Jacket File " you will find invoices from other persons which make up Vouchers Payable, as shown by the credit side of Vouchers Payable account in the general ledger. Remove these invoices from your envelope and prepare a voucher jacket for each invoice, according to the instructions given below. (See form of voucher jacket and back of same on page 270, and read again what is said on page 269 regarding the voucher jacket.) No purchases ledger will be used in this work, as the voucher register takes the place of that book.

No. 2780. — Invoice, J. Russell & Co. Number the voucher jacket, but do not date it. You will be instructed to do that later. Next write the name and address of the creditor, date of the invoice (in the left-hand date column), and on the same line write the word *Invoice*, the terms, and the amount. Attest the correctness of the record on the jacket by writing your name on the line over the word " Bookkeeper," and have your teacher, or whomever he may designate, sign as manager. Number the voucher jacket 2780.

An analysis of the invoice shows that it represents a purchase of machinery and equipment, amounting to \$283.57, of tools, \$3.75, of materials for use on addition to factory, \$6.88. These and the other facts should be recorded on the back of the voucher jacket. Write the number, and the amount of the voucher, and the name of the creditor on the top of the form, on the back of the jacket. Next write *Machinery and Equipment*, \$283.57, on the first blank line under Sundries, *Tools*, \$3.75; on the next line, and *Real Estate*, \$6.88 on the following line, and *November* (current year) on the top line. You have now completed the work on the voucher jacket for the present, and made the distribution of the invoice.

Pin the invoice face upward on the front of the voucher jacket, fold the same and place it in your Voucher Jacket File.

No entries will be made in the voucher register for the unpaid vouchers on hand at this time, as they represent the business of the preceding month, at which time proper records were made on the books.

No. 2781. — Invoice, Bracket Mfg. Co. This shows a purchase of production materials. Prepare a voucher jacket in general accordance with the instructions given above.

No. 2782. — Invoice, Parry Bros. & Co. This represents a purchase of materials to be used in enlarging the factory.

No. 2783. — Invoice, Cutler & Porter. Proceed as in No. 2781.

No. 2784. — Bill, Frank C. Perkins. Charge the full amount to Machinery and Equipment under Sundries.

Nos. 2785, 2786, 2787, 2788. — Invoices, Collieson Bros.; Cutler & Porter; H. M. Scripple & Co.; Collieson Bros.

When in doubt about the distribution of an invoice, see Distribution, page 281.

No. 2789. — Invoice, National Brass and Iron Works. Charge to Office Equipment under Sundries.

In order to take advantage of discounts allowed on purchases, or to pay invoices promptly when due, it is customary to either file the invoices under proper dates, usually a few days before maturity, in "tickler files," or to record them under proper dates in a "tickler" book. A tickler file has numerous compartments, numbered to correspond to the days of a month, with the name of the month on the outside. The tickler is usually an ordinary record book, the months and days being written in it as required.

NOTES RECEIVABLE

In your envelope marked "Cash Drawer" you will find the following notes which constitute the Notes Receivable balance in the general ledger:

Nos. 233, 234, 235, 236. Take these notes from your envelope and enter them in your notes receivable book, after which return them to the envelope. See that the footing of the amount column in your notes receivable book agrees with the balance of the Notes Receivable account in the general ledger.

NOTES PAYABLE

The following notes are outstanding and constitute the Notes Payable balance in the general ledger. Enter the notes in your notes payable book, and see that the total agrees with the balance of the Notes Payable account.

No. 174. — Date, Nov. 1, in favor of E. J. Leonard, for money borrowed, payable at your office on demand, with interest, at 6%, \$5000.

No. 175. — Date, Nov. 10, in favor of the Commercial Bank, for money borrowed, payable at the Commercial Bank in 30 days, \$3500.

No. 176. — Date, Nov. 20, in favor of the Commercial Bank, for money borrowed, payable at the Commercial Bank in 30 days, \$5000.

No. A I. — Enter the balance of cash, which is the balance in the bank, in your cash book and on the stub of your check book, extending the amount into the net receipts column in the cash book and on the left stub of the check book. You will keep the debit of the account with the bank on the left stub of your check book in this work, and the credit of the account on the right stub.

TRANSACTIONS

DECEMBER 1, 19—

No. 1. — Check. Sam Stone & Co. Payment of invoice of November 20.

Enter the check in the cash book, crediting *Sam Stone & Co.*, for the full amount of the invoice in the Accounts Receivable column, and debiting Discount on Sales in the special column for the amount of the discount. Extend the amount of the check into the Net Receipts column. All payments by customers who discount their bills will be handled in this manner in the follow-

ing transactions; and in every case, the net or actual amount of cash received will be entered in the Net Receipts column, as well as in the other column to which it belongs.

Some of the larger business concerns divide the general cash book into two books, one of which is called the "credit cash book," and is used for a record of the receipts; the other is called the "debit cash book," and is used for a record of the payments. The general cash book or books are kept by the cashier or treasurer, but the posting is done by the bookkeepers. This is called an "internal check," and provides for the checking of the work of one employee by another, the object being to prevent fraud or peculations on the part of those who handle the cash of the concern.

Keep your books posted to date, for reasons heretofore explained.

No. 2. — Regular weekly pay roll.

Prepare a voucher jacket No. 2790, payable to R. H. Merriam. Date it both at top and side with the current date, and write *Pay Roll* in the explanation column, and the proper amount in the outside money column. Attest the jacket and have it approved by the manager. It is unnecessary to fill out the receipt form at the bottom of this jacket.

Acting as treasurer make a voucher check (see form on page 269) to the order of the secretary for the amount of the voucher. Number the check, and write on it the number of the voucher in the proper place, and enter it in the cash book. (See illustration of cash book on page 274.) Be sure to write the number of the check and the number of the voucher in their respective columns in the cash book, and to extend the amount into both the Vouchers Payable debit column and the Net Disbursements column. Check the entry. Place the check in Vouchers for Others.

Fill out the back of the jacket by writing the number, amount, name of payee, when paid, and number of the check. Charge \$2831.50 to Direct Labor, \$110 to Indirect Labor, under Manufacturing Expense, \$115 to Ship. Dept. Wages, under Sell. Exp., and \$72 to Salaries, under Gen. Adm. Expenses.

Next enter the voucher jacket in the voucher register as shown in the illustration on pages 272 and 273, extending the total amount into Vouchers Payable Cr. column, and the amounts of the separate items into the proper distribution columns. Write *S. D. Wages \$115*, in the Account column under Selling Expenses and *Off. Sal. \$72* in the Account column under Gen. Adm. Expenses. Write the date, and the number of the check, in the proper Paid columns. Next write the current month and year at the top of the back of the voucher jacket, to show that it has been recorded. Pin the pay roll to the jacket, fold the same, and file in the Paid Voucher Jacket File.

No. 3. — Invoice, J. H. Steele & Co. For office supplies. Prepare a voucher jacket. Number the jacket with next consecutive number. Make the proper record on the back of the jacket, charging the purchase to Office Supplies under General and Adm. Expenses.

Record the jacket in the Voucher Register, writing *Inv. 12/1* in the Explanations column, the name of the account (Office Supplies) and the amount under General and Administrative Expenses. As treasurer draw a voucher check for the amount of the bill, and enter it in the cash book. Write the name of the creditor in the Name column, *Invoice 12/1 net*, in the Explanations column, the number of the check, and the number of the voucher, in their respective columns, and the amount in the Vouchers Payable column and in the Net Disbursements column. Check the entry, since it will not be posted, as you are not keeping a purchases ledger. All payments to creditors whose invoices we discount will be handled in this way; in every case the actual amount paid will be entered in Net Disbursements column, as well as in the other column to which it belongs.

Complete the record on the jacket. Fill out the receipt blank, excepting the date and signature, attach the check to the jacket, and place in Vouchers for Others. File the invoice in Paid Vouchers File.

No. 4. — Duplicate charge bill, Dodge & Rice. Enter in the sales journal, numbering the entry and the bill, 3975, and charge direct to the account in the sales ledger from the bill. Number the bills consecutively.

F. O. B. — The abbreviation F. O. B. or f. o. b. means free on board; that is, the goods are to be delivered either free to the transportation company at the place of shipment, or free of cartage and transportation charges to the place of destination, depending upon the agreement of the parties or the custom in the trade, and this is indicated by the name of the place following the abbreviation.

In the above case the goods are to be delivered free at Boston; that is, free to the place of destination, but the delivery does not include cartage from the freight house or dock of the transportation company to the warehouse or store of the purchaser.

On f. o. b. receiving point shipments, the transportation charges are usually prepaid by the shipper, but if not so paid, as in the above case, they are paid by the customer, who deducts the charges from the invoice at the time of settlement, sending the freight expense bill with his remittance.

No. 5. — Pay voucher No. 2780.

Take voucher jacket No. 2780 from the Voucher Jacket File, detach it from the invoice, date it at the top (current date), and draw a check for the amount. Fill out the receipt blank, excepting the date and signature, and attach the check to the jacket. Complete the record on the back of the jacket, and make the proper record in the cash book. Remember to check the entry in the cash book.

Place the voucher jacket in Vouchers for Others, and the invoice in Paid Vouchers File.

No. 6. — Draw a check, favor of the secretary, R. H. Merriam, for \$50 for petty cash uses. Charge *Imprest Fund* in voucher register in sundry debits column. (See explanation of *Imprest Fund*, page 271, and illustration of entry on page 275.)

You will assume that Mr. Merriam has had the check cashed and has turned in the currency. You will not be required to handle the petty cash in this work, but will make the records in the petty cash book. Enter the amount in the left-hand money column of the Petty Cash Book, writing for explanation, *Rec'd from Imprest Fund*.

The petty cash book is usually kept by the cashier's assistant, but it may be kept by another, and there may be more than one such book in use. Of course, the person in charge of the petty cash book would handle the cash and make the payments, which should be supported by proper vouchers.

DECEMBER 3

Nos. 7, 8. — Duplicate charge bills, Hamilton, Brown Shoe Co.; E. F. Woods & Co. (See No. 4.)

Remember to post all charge sales direct from the bills, as soon as the bills are received and entered in the sales journal, and to post daily all credits to customers, so that the accounts will show their true current condition. Also to keep the cash book posted to date.

No. 9. — Memorandum, J. W. Evans, traveling salesman, salary and expenses for November. Prepare a voucher jacket, draw a check, and make the proper entry in the cash book extending the amount into both the Vouchers Payable column and the Net Disbursements column. Check the entry. Under Selling Expenses on back of the jacket, charge \$350 to Salesmen's Salaries and \$241.27 to Salesmen's Expenses. Record the voucher in the Voucher Register, extending the items to the proper accounts under Selling Expenses.

Remember to enter the date and number of the check in the Date column when a voucher is paid, and to complete and file the voucher jacket.

No. 10. — Memorandum, J. L. Marcy, traveling salesman, salary and expenses for November. Proceed as in No. 9.

The above expense bills are properly chargeable to the November business, but excepting for cost keeping, and other statistical purposes, there is no objection to charging them to the December business since they will in either case be included in the expenses of the current fiscal period. Some accountants do not close the voucher register until all bills for the month have been recorded.

No. 11. — Invoice, Frank C. Perkins. Charge to Machinery and Equipment.

Nos. 12, 13. — Bill, City Gas and Electric Co. Invoice, E. A. Conway Coal Co. Charge each to Fuel, Light, and Power under Manufacturing Expenses.

No. 14. — Invoice, Western Leather Co.

No. 15. — Pay vouchers Nos. 2795, 2796, 2781, 2785. Deduct the discount from the gas bill.

No. 16. — Petty cash memorandum. Enter each item in your petty cash book, extending the amount into the right-hand money column. Make proper explanation of each entry. (See No. 6.)

No. 17. — Check, Pond & Eaton. See their account in your ledger and enter accordingly.

No. 18. — Deposit all cash on hand. Indorse the note of the Providence Boot & Shoe Co. and leave it at the bank for collection. Make the proper record in your notes rec. book.

Before making a deposit, the cash should be proved. If your cash does not prove at any time and you are unable to find the cause of the "over," or "short," adjust the same, as heretofore explained.

Make the entry in detail in the check book for the deposit.

DECEMBER 4

No. 19. — Invoice, J. Russell & Co. Pay this bill. Charge the waste to Factory Supplies under Manufacturing Expenses.

No. 20. — Duplicate charge bill, Marsh, Fielding Co.

Freight Prepaid. — The prepayment of transportation charges is usually a matter of agreement between purchaser and seller, but it is sometimes a custom in the trade, or a necessity, as in cases where there are no freight or express agents at the delivery points. Freight charges may be prepaid as the result of agreement or custom, or as an accommodation to the purchaser. In the first case, they are charged to Selling Expenses, usually through a special Freight Paid-Expense account, or a general Freight Outward account, which is analyzed at the end of each month. In the latter case they are charged to the customer.

The prepayment of transportation, and the disposition to be made of the charges, are indicated on the shipping order; as, "Freight Paid-Expense," "Express Paid-Expense," or "Freight Paid and Charge," or "Express Paid and Charge," or by other definite similar expressions.

DECEMBER 5

No. 21. — Check, Providence Boot & Shoe Co. See their account and apply the payment accordingly.

No. 22. — The bank notifies you that the sight draft on the Hamilton, Brown Shoe Co., St. Louis, for \$4875.20, which was drawn Nov. 27, has been paid, and the amount placed to your credit, less collection, \$5.25. Charge General Administrative Expense. Make the proper entry in the cash book for the sight draft, extending the amount into the Accounts Receivable and Net Cash Receipts columns, and in the check book for the credit. Show in the check book the total amount of the draft, and the collection, as well as the net amount, so that the entry can be easily audited.

Nos. 23, 24. — Duplicate charge bill, Dodge & Rice. Pay vouchers Nos. 2788, 2789.

No. 25. — Invoice, Charles Koss & Bro. Charge Shipping Supplies, under Selling Expenses, and explain in Explanations column.

No. 26. — Statement, United Shoe Machinery Co. Pay the amount. Charge Royalties, under Manufacturing Expenses.

The Royalty System. — Most of the machines used in the "Bottoming Room," instead of being bought outright, as are most of the machines in the "Fitting Room," are leased from the manufacturers, who charge a certain sum per shoe for the use of each machine. This charge is called a "royalty," and ranges from $\frac{1}{4}$ of a cent to 6 cents on a shoe. Manufacturers of leased machines keep them in repair, and, of course, bear any loss by depreciation.

By the royalty system, the shoe manufacturer has the use of the leased machines without having any of his capital invested in them, and has no charges to pay for repairs, nor allowances to make for depreciation.

Each leased machine has a device attached to it for registering the number of shoes on which the machine has operated, and from this register the royalty record of the machine is made.

No. 27. — Invoice, A. D. Jackson Saddlery Co. Pay this invoice less discount.

DECEMBER 6

No. 28. — Invoice, Parry Bros. & Co. This material is for use in enlarging the factory.

Nos. 29, 30. — Invoice, Cutler & Porter. Duplicate charge bill, George H. Deane & Co.

No. 31. — Cash sale, J. T. Ferris. Enter in the cash book only, extending the amount into the Cash Sales and Net Receipts columns. Check the entry. (See page 274.)

No. 32. — Petty cash memorandum. (See No. 16.)

DECEMBER 7

No. 33. — Invoice, F. A. Walsh & Co. (Be careful about the distribution.)

Nos. 34, 35. — Duplicate charge bills, Rich, Lantz & Harris; New Haven Trading Co.

The freight charges on No. 34 were prepaid and charged to the customer, as shown by the duplicate charge bill. Enter only the amount of the sale in the Item column of the sales journal, and on the next line write *Freight outward, on above*, and place the amount, \$5.36, before the Item column. Carry the freight outward items along until the end of the month, then credit the amount to Selling Expenses (Freight Outward).

When the freight charges are prepaid at the time the goods are delivered to the transportation company, the receipt is acknowledged on the bill of lading, and memorandum copy, by the agent or cashier of the company. When the shipper has an account with the company, he stamps "*To be Prepaid and Charged to (shipper)*" on the bill of lading, to the right of the description of articles, etc.

In this business The City Carting Company attends to all freight and carting matters, and renders monthly statements. The signed and receipted bills of lading, and memorandum copies, are turned in by them to the shipping department daily.

No. 36. — Letter, check, and note, with interest added, Dodge & Rice (see their account).

DECEMBER 8

No. 37. — Check, The Hub Shoe Co. See their account.

No. 38. — Draw on E. M. Lyons & Co. at sight, for invoice of Oct. 30, and leave the draft at the bank for collection. Deposit all cash (currency and checks) on hand. Write or dictate a letter to E. M. Lyons & Co., notifying them that you have drawn on them and requesting that they honor the draft.

No. 39. — Pay roll.

No. 40. — Invoice, Diebold Safe Co. Pay the invoice.

Nos. 41, 42. — Duplicate charge bill, E. F. Woods & Co. Cash sale (check), Wm. M. Lee & Co.

Nos. 43, 44. — Checks, Pittsburgh Furnishing Co.; New Haven Trading Co. Be sure to refer to the account in the ledger before entering a remittance.

DECEMBER 10

Nos. 45, 46. — Invoices, Western Leather Co.; Charles Koss & Bro.

No. 47. — Check, Geo. H. Deane & Co.

Nos. 48, 49. — Deposit all cash on hand. The bank notifies you that your note in their favor for \$3500, due to-day, has been charged to your account.

No. 50. — Pay vouchers Nos. 2794, 2783, 2782, 2797.

DECEMBER 11

Nos. 51, 52. — Invoice, Collieson Bros. Duplicate charge bill, Bay State Shoe Co.

DECEMBER 12

Nos. 53, 54. — Invoice, O'Neil Oil & Paint Co. Cash sale, Jones & Allis.

No. 55. — Check, Dodge & Rice. Payment, bill Dec. 1, less freight charges. Treat the deduction from the bill as a discount on sales.

Other ways of recording a deduction of this kind would be to charge it to Freight Outward, or to Allowances to Customers through the journal. By any of these ways, however, the proper deduction from revenue would be shown on the books.

No. 56. — Note, Providence Boot & Shoe Co. and protest, petty cash memo.

Charge the protest fees to the Providence Boot & Shoe Co., in the petty cash book.

Post the entry. No entry is required for the note since it was merely left for collection.

Make proper notation in the bill book.

Write or dictate a letter to the Providence Boot & Shoe Co. requesting an explanation for allowing their note to go to protest.

No. 57. — Deposit all cash on hand. Leave the note of Dodge & Rice, due on the 14th inst., at the bank for collection.

No. 58. — Pay vouchers Nos. 2784, 2799, 2810.

DECEMBER 13

No. 59. — Invoice, A. D. Jackson Saddlery Co. Pay the invoice.

No. 60. — Duplicate charge bill, Hamilton, Brown Shoe Co. The terms are special.

No. 61. — Letter, check, and note, Bay State Shoe Co. Enter the full amount of the discount in the cash book.

DECEMBER 14

No. 62. — Cash sale, Chas. D. Pomeroy.

No. 63. — Pay vouchers Nos. 2802, 2803.

No. 64. — Check, The Hub Shoe Co. Payment of note as per bill book. Take the note from your Cash Drawer, write "Paid" across the face, and place it in Vouchers for Others.

No. 65. — Deposit all cash on hand, and leave at the bank for collection E. F. Woods & Co.'s note, due 20th. Have the Quaker Shoe Co.'s note, due Jan. 15, discounted, and the proceeds placed to your credit.

Enter the face of the note in the Accounts Receivable Cr. column, the amount of the discount in the Discount on Sales column, and the proceeds in the Net Cash Receipts column, with proper explanations to support the records. Place a small cross mark in the folio column to indicate the special amount. (See page 274.) Post Notes Receivable entries as usual.

In this work, discount on notes will be treated as interest, and will be charged or credited to Interest account. The amount of discount in each case will be entered in the Discount on Sales column of the cash book on the same line with the note, and a cross mark will be placed in the folio column. The Discount columns will be analyzed at the end of the month, and the proper amounts placed as footings of the columns. The Accounts Receivable column will be analyzed in the same way. (See cash book, page 274.)

This manner of treating discount on notes permits of the cash book showing, in the Net Receipts and Net Disbursements columns, the actual cash received and disbursed, and, therefore, admits of rapid and easy auditing.

DECEMBER 15

Nos. 66, 67, 68. — Invoice, B. S. Green Co. Pay roll. Duplicate charge bill, Sam Stone & Co.

Nos. 69, 70, 71, 72. — Checks, Rich, Lantz & Harris; E. F. Woods & Co.; Marsh, Fielding Co.; Hamilton, Brown Shoe Co.

No. 73. — Pay voucher No. 2804.

No. 74. — Petty cash memorandum. Your draft on E. M. Lyons & Co. was protested for nonpayment. (See No. 56.)

DECEMBER 17

Nos. 75, 76, 77. — Invoice, H. M. Sciple & Co. (Machinery and Equipment.) Duplicate charge bill, Pond & Eaton. Check, Dodge & Rice.

No. 78. — Letter and check, E. M. Lyons & Co.

No. 78 a. — Deposit all cash on hand.

No. 79. — Letter, Providence Boot & Shoe Co. Acting on instructions from the manager, you will write or dictate a letter to the Providence Boot & Shoe Co., expressing regret at their failure, and accepting their offer of 60 cents on a dollar, for your book claim and their note protested on the 12th inst.

DECEMBER 18

Nos. 80, 81. — Duplicate charge bill, E. B. Lewis & Co. Check, Geo. H. Deane & Co.

No. 82. — Pay vouchers Nos. 2807, 2808.

DECEMBER 19

Nos. 83, 84. — Invoice, J. H. Steele & Co. Invoice, F. A. Walsh & Co.

Nos. 85, 86, 87. — Duplicate charge bill, Pittsburgh Furnishing Co. Check, Quaker Shoe Co. Petty cash memorandum.

DECEMBER 20

Nos. 88, 89, 90. — Invoice, Boston Last Co. Cash sale, R. S. Sherwood & Co. Duplicate charge bill, Bay State Shoe Co.

No. 91. — Letter and check from New Haven Trading Co. See their account in the ledger for the terms. Give them credit for \$1530.61.

Divide the remittance by 100 %, less the rate of discount allowed by the terms, and credit the customer for the amount represented by the quotient (as, $\$1500 \div .98 = \1530.61).

No. 92. — Deposit all cash on hand.

No. 93. — Your note due to-day, favor of your bank, has been charged to your account.

DECEMBER 21

Nos. 94, 95, 96. — Invoice, Western Leather Co. Duplicate charge bill, The Hub Shoe Co. Check, E. F. Woods & Co.

DECEMBER 22

Nos. 97, 98. — Pay roll. Cash sale, Hudson & Foster.

DECEMBER 24

Nos. 99, 100. — Invoice, Chas. Koss & Bro. Duplicate charge bill, Empire Shoe Co.

No. 101. — Check, Providence Boot & Shoe Co. In full payment of the bill of Oct. 5, and their note protested of Dec. 12. The check is for 60% of these two amounts, as per agreement.

Enter in the cash book, *Providence Boot & Shoe Co.* for 60% of bill, and *Notes Receivable* for 60% of note. You have lost 40% of the note, and 40% of the bill of Oct. 5; also the protest fees. Losses from bad debts are provided for by a Reserve for Bad Debts account, which is credited at the end of each fiscal period with a certain proportion of the profits of the business, and charged with such losses as may occur during the period. Therefore, in your journal, frame an entry, *Reserve for Bad Debts*, for the total loss, and *Providence Boot & Shoe Co.*, for the loss on the book account, including the protest fees, and *Notes Receivable*, for the loss on the note.

No. 102. — Pay vouchers Nos. 2786, 2787, and 2809.

No. 103. — Deposit all cash on hand. The note of E. F. Woods & Co., which was left for collection, has been paid, and the amount placed to your credit.

DECEMBER 26

Nos. 104, 105. — Invoice, J. Russell & Co. The nails are for use in enlarging the factory; the belting is an addition to the equipment. Pay the bill. Invoice, Collieson Bros.

Nos. 106, 107, 108. — Duplicate charge bills, The John Warner Co.; Quaker Shoe Co.; Pittsburgh Furnishing Co.

Nos. 109, 110, 111. — Checks, E. F. Woods & Co.; Sam Stone & Co.; Hamilton, Brown Co.

DECEMBER 27

Nos. 112, 113, 114. — Invoice, Cutler & Porter. Duplicate charge bill, Sam Stone & Co. Check, Rich, Lantz & Harris.

Nos. 115, 116. — Check, New Haven Trading Co. Intended to pay balance of bill Dec. 7, less special discount, 1%, \$5.12. (See their account.) Pay voucher No. 2816.

DECEMBER 28

Nos. 117, 117 a. — Cash sale, B. F. Howe & Co. Memo. of goods returned, The Hub Shoe Co.

Nos. 118, 119. — Pay voucher No. 2815. Deposit all cash on hand.

DECEMBER 29

Nos. 120, 121, 122. — Pay roll. Duplicate charge bills, E. M. Lyons & Co.; Rich, Lantz & Harris.

No. 123. — Check, Bay State Shoe Co. In payment of invoice, Dec. 11. Refer to their account, and see if the remittance is correct.

There are two methods of treating overpayment. One is to return the amount of the overpayment by check, or in currency if the amount is small, and the other is to credit the customer's account for the amount of the overpayment. You will follow the second method in this case.

Frame an entry in the cash book for the correct net amount of the invoice, and for the discount, and another entry for the overpayment, with proper explanation. Notify the customer of the error, and state how you have treated it.

Nos. 124, 125. — Pay voucher No. 2818. Petty cash memo.

DECEMBER 31

Nos. 126, 127, 128. — Duplicate charge bill, Marsh, Fielding Co. Cash sale, W. P. Hoyt & Co. Pay voucher No. 2820.

No. 129. — Bill, City Carting Co. Pay this bill. Charge *Freight Inward*, \$243.52. *Freight Outward*, \$38.48, in voucher register.

Nos. 130, 131, 132. — Memo. goods returned, Empire Shoe Co. Bill, Mead, Mason & Co., for addition to the factory.

Pay this bill. Deposit all cash on hand.

No. 133. — The salaries of the officers and general manager for the month are due. Prepare a voucher jacket, and draw the checks. One-third of the general manager's salary is charged to Mfg. Expenses (Indirect Labor).

The transactions for the month, and also for the fiscal period, are now completed, but all of the records have not been made. It usually takes a few days in which to get the reports from the different departments, showing cost of goods manufactured during the month, and of goods in process, the value of finished goods, materials and factory supplies on hand, the amount of wages and salaries accrued, inventories of office equipment and office supplies, and the salary and expense accounts of the traveling salesmen.

In the meantime, the transactions of the next month would be taking place, and be recorded in the books of original entry. In this work, only the business of the fiscal period ending December 31 will be considered, and therefore no records will be made for the transactions of the next period.

You will now pencil foot your petty cash book, and analyze the entries, preparatory to transferring them to the voucher register. Rule a sheet of analysis paper with four columns, which you will head, *Accts. Rec.*, *Real Estate*, *Mfg. Exp.*, *Gen. & Adm. Exp.*, respectively, and enter in these columns the items which appear in the petty cash book, including the personal accounts items.

Be careful about the classification of the items, and when in doubt, refer to Distribution, page 281. Note the item of factory supplies.

Next, rule off and foot the analysis sheet, after which enter the titles of the accounts and the footings of the columns in the explanation column of the petty cash book, writing *Summary* over the entry. Single rule and foot the summary to show that it agrees with the pencil footing of the disbursements column. Next balance and rule off the petty cash book, and on a slip of paper make a memorandum of the summary under the current date. Pin the memorandum to the petty cash vouchers, and prepare a voucher jacket, using, for explanation, *Petty cash disbursements, December, 19—*, for total amount, and distributing according to the summary. (Don't forget the factory supplies item.)

Enter the voucher jacket in the voucher register as follows: After writing the number and the date in the proper columns, write in the In Favor of column *Imprest Fund*, in the Explanations column, *Dec. disbursements*, in the Vouchers Payable Cr. column, *Total amount*, in the Account column, *Accounts Receivable (amount)*, and check the entry, as the items comprising the amount have already been posted, and the amount will be posted in the footing of the special column.

Extend the other distribution items into their respective columns, and write the current date in the Paid date column.

Draw a check payable to the cashier and enter in the cash disbursements.

Nos. 134, 135. — Memorandums, J. W. Evans, J. L. Marey. Prepare voucher jackets, and enter. These expenses are to be charged to the December business, but as the reports are received after the close of the month, the vouchers will be paid in the next fiscal period.

Pencil foot the voucher register and prove the footing. The amount of the Vouchers Payable Cr. column should agree with the total of all the other columns. Next rule and ink foot the register.

Rule off and foot the sales journal and post the footings (see No. 34). Foot separately the regular and special items in the Accounts Receivable and Discount on Sales columns of the cash book, and write the totals and titles, as shown in the form on page 274.

Balance and rule off the cash book, and post the footings.

No. 136. — Statement, Commercial Bank. Reconcile the bank balance, and list the outstanding checks on the stub of the check book.

In business, the canceled checks would of course accompany the statement.

Call at the teacher's desk for your paid jackets and canceled checks, if they have not been returned to you.

Post the voucher register in accordance with the following instructions: First, post the footings of the Vouchers Payable Cr. column to the credit of Vouchers Payable, and place a check mark, with the folio of the account over it, opposite the amount. Next post the unchecked Sundry Debits entries. (The footing of the General column is not posted nor checked.) Then post the footings of the remaining columns to the debit of their respective accounts, and check the amounts.

ADJUSTING ENTRIES

No. 137. — Prepare adjusting entries as follows:

(a) Set up reserves for depreciation.

1. On Buildings	2%
2. On Machinery and Equipment	12½%
3. On Lasts and Patterns	50%
4. On Office Equipment	10%

This would be accomplished by debiting Depreciation on Buildings (Manufacturing Expense) and crediting Reserve for Depreciation on Buildings.

- (b) Set up a reserve for Loss on Bad Debts for 20% of the outstanding Accounts Receivable.
- (c) Accrued Salaries and Wages as follows :
- | | |
|-------------------------|----------|
| Direct Labor | \$676.50 |
| Indirect Labor | 112.50 |
| Shipping Dept. Salaries | 37.50 |
| Office Salaries | 24. |
- (d) Royalties Accrued amount to \$312.45.
- (e) Accrue the Interest on Notes Payable and Notes Receivable.
- (f) Insurance Prepaid.
- (g) Taxes Accrued.

Rule off and foot the journal, and post the closing special column items.

Take off a trial balance of balances of the general ledger.

Make an abstract of the sales ledger, and see if it agrees with the controlling account.

Make an abstract of Vouchers Payable Cr. from the voucher register, and compare it with the balance of the Vouchers Payable account, and with the unpaid vouchers.

The following inventories have been reported by the different departments, as per schedules on file :

INVENTORIES, DECEMBER 31, 19—

<i>Assets</i>		
Materials per schedule # 1		\$3428.60
Factory Supplies " # 3		410.34
Fuel " # 6		468.10
Goods in Process " # 2		6172.15
Shipping Supplies " # 5		229.85
Finished Goods " # 4		17600.
Office Supplies " # 7		40.50
Tools		2500.

The following order should be observed in the operations of closing the books for the year.

- (a) Make and post the adjusting entries in Number 137.
- (b) Take an adjusted trial balance.
- (c) Prepare a Statement showing cost of goods manufactured and sold. (See model form on page 296.)
- (d) Prepare a Profit and Loss Statement. (See model form on page 297.)
- (e) Prepare a Balance Sheet. (See model form on page 298.)
- (f) Make Closing Entries in your journal to close all manufacturing, and profit and loss accounts (See model form, page 299.)
- (g) Post Closing Entries and rule the ledger accounts.
- (h) Close the Profit and Loss account into Surplus.
- (i) Take a final trial balance.

Prepare a balance sheet beginning with the most fixed asset (real estate), and ending with the quickest or most liquid (cash). Treat the balance of Imprest Fund Account as cash on

THE DARLINGTON SHOE COMPANY

EXHIBIT B. SCHEDULE I

Statement showing Cost of Goods Manufactured; year ended Dec. 31, 19—

Raw Materials Used				
Inventory Jan. 1, 19—		\$12396	18	
Purchases to Dec. 31, 19—	\$153817.62			
Less :				
Return Purchases	<u>952.35</u>	152865	27	
Freight In		371	84	
Total Cost		\$165633	29	
Less :				
Inventory, Dec. 31, 19—		14580	10	\$151053 19
Labor				109345 25
Manufacturing Expenses :				
Fuel, Light and Power		\$2410	75	
Indirect Labor		4580		
Factory Supplies		9078	75	
Depreciation on				
Buildings		1208	05	
Machinery and Equipment		5103	50	
Lasts and Patterns		7604	20	
Repairs and Renewals		2625	50	
Royalties		5647	27	
Insurance on Buildings and Equipment		1242		
Taxes on Buildings and Equipment		1948	70	41448 72
Total Charges to Manufacturing				\$301847 16
Add :				
Goods in Process, Jan. 1, 19—				24686 31
				<u>\$326533 47</u>
Less :				
Goods in Process, Dec. 31, 19—				17661 45
Net cost of Goods Manufactured				<u>\$308872 02</u>

hand. The amount should agree with the balance of the petty cash book. Arrange the items on the credit side in the order of capital stock, current liabilities (you have no fixed liabilities), reserves, and surplus.

Closing the Ledger. — You will close the ledger by passing the entries through the journal; that is, by making the closing entries in the journal and posting them to the general ledger in the regular way. Frame a journal entry debiting Finished Goods, for the factory cost of goods manufactured during the period, as shown by the credit side of the Manufacturing account section of the statement, Returned Purchases, for the amount shown, and Sundry Inventories, for the amount of the inventories on December 31, as shown on the debit side. Credit the proper accounts for their respective amounts, as shown by the debit side of the section.

THE DARLINGTON SHOE COMPANY

EXHIBIT B

Profit and Loss Statement, year ended Dec. 31, 19—

Gross Sales	\$414387	06		
Less: Returns	1523	81		
Net Sales			\$412863	25
Deduct:				
Cost of Manufactured Goods Sold				
On hand, Jan. 1, 19—	\$14631	50		
Cost of goods manufactured during the year, see Schedule 1	308872	02		
	\$323503	52		
Deduct: On Hand 12/31	12713	25	310790	27
Gross Profit on Sales of Manufactured Goods			\$102072	98
Deduct:				
Selling Expenses	\$24418	47		
Gen. Adm. Expenses	16010	98	40429	45
Net Operating Profit			\$61643	53
Add: Other Income Items				
Interest on Notes Receivable	\$109	36		
Discount on Purchases	7310	53	7419	89
Total Income			\$69063	42
Deduct: Other Expense Items				
Interest on Notes Payable	\$175	62		
Discount on Sales	8952	75		
Allowances to Customers	418	25		
Loss on Bad Debts	3750		13296	62
Net Profit			\$55766	80

Frame an entry to close the accounts in the Trading account section, debiting Sales and Sundry Inventories (of December 31), and crediting Returned Sales, Finished Goods (for Inventory, January 1, and factory output), and Profit and Loss, for the amounts shown in the section.

Frame an entry to close the accounts in the first section of the Profit and Loss account. Credit Selling Expenses, General Administrative Expenses, Depreciation, and Discount on Sales, Interest, Allowances to Customers, and debit Discount on Purchases, Sundry Inventories for their respective amounts, and Profit and Loss for the difference.

Frame an entry to close the accounts in the last section of the statement, and post.

THE DARLINGTON SHOE COMPANY

EXHIBIT A

Balance Sheet, December 31, 19—

ASSETS

Real Estate and Equipment :			
Land	\$25000		
Buildings	100750		
Machinery and Equipment	51035		
Tools	5450		
Lasts and Patterns	33069		
Office Equipment	3580		\$21884
Good Will			25000
Current Assets :			
Cash	\$26853	65	
Notes Receivable	32233	80	
Accounts Receivable	63386	45	
Accrued Interest on Notes Receivable	84	70	
Merchandise on hand			
Raw Materials, Goods in Process	35853	45	
Finished Goods	12713	25	
Factory Supplies	1242	50	172367 80
Prepaid Assets :			
Taxes	\$1452	40	
Insurance	547	60	2000
Total Assets			\$418251 80

CAPITAL, LIABILITIES, AND SURPLUS

Capital Stock :			
Preferred outstanding	\$100000		
Common outstanding	150000		\$250000
Fixed Liabilities :			
Mortgage Payable			25000
Current Liabilities :			
Notes Payable	\$7500		
Accounts Payable	17799	84	
Accrued Interest on Notes Payable	150		
Accrued Interest on Mortgage	900		
Accrued Salaries and Wages	257	57	26607 41
Reserves :			
For Depreciation of Buildings and Equipment	\$16534	50	
For Depreciation on Lasts and Patterns	22602		
For Depreciation on Office Equipment	716		
For Loss on Bad Accounts	5261	83	45114 33
Surplus :			
Balance, January 1, 19—	\$15763	26	
Net Profit, January 1–December 31, 19—	55766	80	71530 06
Total Capital, Liabilities and Surplus			\$418251 80

MODEL CLOSING ENTRIES

December 31, 19—

Returned Purchases	\$952 35	
Raw Materials		\$952 35
Returns and allowances on purchases of raw materials		
Raw Materials	371 84	
Freight In		371 84
To close cost of freight to Raw Materials		
Manufacturing	24686 31	
Goods in Process		24686 31
To close inventory of Jan. 1 into Mfg. account		
Manufacturing	151053 19	
Raw Materials		151053 19
Cost of raw materials used in manufacturing for the year ending Dec. 31, 19—		
On hand 1/1/19—	\$ 12396.18	
Net purchases	152865.27	
Freight In	371.84	
	<u>165633.29</u>	
On hand 12/31/19—	<u>14580.10</u>	
	<u>151053.19</u>	
Manufacturing	150793 97	
Labor		109345 25
Manufacturing Expenses		41448 72
To close the cost of Labor and Mfg. Expenses to the Manufacturing account		
Goods in Process	17661 45	
Manufacturing		17661 45
To take out of the Mfg. account the goods in process of Dec. 31, 19—		
Finished Goods	308872 02	
Manufacturing		308872 02
To close to Finished Goods the cost of goods manufactured for the year (See Statement of Cost of Goods Manufactured)		
<p>NOTE. — The remaining closing entries are the same as in a mercantile business, following the Profit and Loss statement as a source of information for the amounts and accounts.</p>		

Foot and rule off all nominal accounts that balance, also all accounts in the sales ledger that balance.

You will now adjust the accrual entries. Frame an entry crediting the proper accounts for the wages and salaries accrued December 31 (see your original entries for these accruals).

You have now completed the records and statements of the business for the fiscal period, ending December 31, 19—, and the books are in proper shape to receive the records of the next fiscal period. As previously explained, a portion of the profits of a corporation is distributed to the stockholders in the form of dividends, which are declared by the Board of Directors at certain periods, as quarterly, semi-annually, and annually. You may assume that the Board of Directors of the company have declared an annual dividend of 10% from surplus

on the outstanding capital stock, payable on January 25, 19—, to stockholders of record of January 15. Frame a journal entry for the dividend declared.

In practice, the stock books would be closed January 15 to give the secretary an opportunity to make up a list of persons holding stock on that date. This list would be turned over to the treasurer, who would send dividend checks to the stockholders on January 25, at which time the Dividend account would be charged with the total amount.

EXERCISES

The following exercises are to be prepared on loose paper:

1 The petty cash book of the Gile Manufacturing Company shows the following entries for December, 19—, dates being omitted: Office postage, \$5, \$5, \$2.25; Supplies for Shipping Dept., \$4.50, \$4, \$2.50, \$3.50, \$5.75; Express In, \$1.15, \$.75, \$1.40, \$3.10, \$.45; Express Out and Charge, \$2.15, \$1.85, \$3.40, \$.95; Express Out Expense, \$1.45, \$.50, \$1.35, \$2.75, \$1; Extra window cleaning, office, \$1.75; Glazing factory windows, \$3.55; Telegrams, \$.57, \$.25, \$.42, \$1.12, \$.62, \$.38, \$.25; Protest fees, \$1.50, \$2.25, \$1.75, \$2.50; Extra carting: Inward, \$1.50, \$1, \$1.75, \$2.50; Outward, \$3, \$2.50; \$1, \$2.25; Lettering office window, \$1.75; Shop signs, \$3.50; Repairing superintendent's office chair, \$1.25; Donations: Factory Christmas entertainments, \$5; Tickets, Policemen's Benevolent Association, \$3; Printing, shop tags, \$4.50; Shipping labels, \$3.75; Office envelopes, \$2.50; Coin wrappers, \$1.25; Pay envelopes, \$2.25; Great Bear Water, office use, \$1.75; Cab hire: Office, \$1.50, \$1.25, \$3; Factory, \$1.25, \$1.50; Repairing rollers: Factory, \$1.25; Shipping Room, \$2.50.

Analyze the above entries, and make a summary of the same.

2 The balance sheet of the Dunning Manufacturing Company, as of June 30, 19—, showed the following production inventories: Materials, \$21652.24; Goods in Process, \$7941.83; Finished Goods, factory cost, \$34659.65; Factory Supplies, \$1512.88. Their trial balance at the end of the fiscal year showed: Purchases of Materials, \$53439.72; of Factory Supplies, \$3918.76; Purchases Returned, \$324.15; Allowances on Purchases, \$117.53; Freight In, \$612.97; Direct Labor, \$13287.29; Manufacturing Expenses, \$9643.71; Depreciation, \$2406.25. Their production inventories at the end of the period were: Materials, \$19264.36; Goods in Process, \$8476.34; Finished Goods, factory cost, \$31214.82; Factory Supplies, \$2263.30.

From the above data prepare the Manufacturing Account section of the Manufacturing, Trading, and Profit and Loss Statement.

3 The balance sheet of the Drake Manufacturing Company for the fiscal period ended December 31, 19—, showed the following assets and liabilities, capital stock, and surplus, the cents being omitted: Cash, \$31420; Investments (marketable), \$16340; Notes Receivable, \$9320, and Accounts Receivable, \$114930, less depreciation on both, \$6212; Raw Materials, \$38470; Goods in Process, \$13290; Finished Goods, \$228336, less depreciation, \$11416; Buildings, \$17360, less depreciation, \$868; Land, \$8450; Machinery and Equipment, \$192470, less depreciation, \$15397; Tools (revalued), \$4483; Furniture and Fixtures (revalued), \$8940; Patents, Models, and Patterns, \$82480, less depreciation, \$16496; Sinking Fund Investment, \$22500; Good Will, \$50000; Loans Payable, \$15000; Notes Payable, \$18730; Accounts Payable, \$162470; Mortgages Payable, \$50000; Preferred Stock, \$250000; Common Stock, \$250000; Sinking Fund, \$22500; Surplus, \$22400. Deferred Assets; Insurance, \$5200; Interest Receivable, \$550; Advances on Freight Deliveries, \$2400; Deferred Liability: Interest Payable, \$5450.

Prepare the above balance sheet in proper form, arranging the assets and liabilities in the order of fixed and current.

4 From the following data prepare a balance sheet and a statement of earnings of the United Manufacturers Company, December 31, 19—: Assets: Cost of Properties, including trade marks, patent rights, real estate, buildings, and machinery and equipment, \$16359861.95; Net Additions during the year, \$1630.30. Investments in Affiliated Companies, \$575000. Deferred Charges to Operations: Insurance, Interest, and Other Periodic Expenses, prepaid, \$124193.30; Expenses of Incorporation, \$22298.34, less proportion written off, \$3344.75. Inventories of Raw and Finished Products and Supplies on Hand, \$4077973.79. Accounts Receivable, \$1892705.86, less reserve for discounts, \$50000. Notes Receivable, \$98281.52. Advances, recoverable and to agents, \$30336.49. Cash on Hand, in banks, and in transit, \$572680.22. Liabilities: Cumulative Preferred Stock, \$5000000; Common Stock, \$15000000. Notes Payable, \$2661563; Loans and Deposits to Officers, \$222621.14, to others, \$149555.50; Accounts Payable and Accrued Pay Rolls, \$158554.33. Surplus, \$———.

Sales, less returns and allowances, \$9127542.87; Producing and Manufacturing Costs, \$7224680.48; Gross Earnings, \$———. Selling and General Administrative Expenses, \$1125875.07; Earnings from Operations, \$———. Miscellaneous Profits and Interest Received, \$64259.69; Total Net Earnings, \$———. Miscellaneous Charges: Interest on Loans and Deposits, \$106923.96; Special Reserve for Discounts on Customers' Accounts, \$50000; Dividends on Preferred Stock, \$175000; Net Surplus Earnings, \$———.

Show the entries which would be framed when a semi-annual dividend of $1\frac{3}{4}\%$ on the preferred stock has been declared out of surplus by the above company, and when the dividend has been paid by checks.

5 The annual statement, December 31, 1910, of the Central Leather Company showed assets as follows: Fixed Assets: Property Account, including timber lands, railroad and floats engaged in the lumber, glue, and other allied industrial operations, \$67154412.21; Investments, \$950228.04. Current Assets: Inventories: Leather in Stores, Lumber, and Other Finished Products, \$17353347.05; Hides and Leather, raw and in process, and Other Materials, \$36588335.62; Accounts Receivable, \$8790850; Notes Receivable, \$992,080.80; Cash in Banks and on Hand, \$4325982.98; Deferred Charges to Profit and Loss, \$306405.43. The capital stock and liabilities were as follows: Preferred Stock, \$33299050; Common Stock, \$39701030.50. Fixed Liabilities: First Mortgage Five Per Cent Bonds, \$36764150; The United States Leather Company Debentures, \$3401000; Real Estate Mortgage, \$100000. Current Liabilities: Notes Payable, \$15955000; Foreign Drafts, \$585005.54; Accounts Payable, \$1149085.25; Accrued Interest on Bonds and Debentures, \$493561.87; Dividend on Preferred Stock, payable January 1, 1911, \$582732.50. Reserves: Fire Insurance, \$123034.41; Miscellaneous, \$501785.98.

Prepare a consolidated balance sheet for the above in proper form, and show the surplus, arranging the items in the order given.

The profits for the year, after deducting all losses and expenses, were \$3403680.11, and the income from investments was \$144210.24. The deductions from revenue were: Interest on Bonds and Debentures, \$2053387.50; dividend on preferred stock, \$2330930. The surplus on January 1, 1910, was \$4642633.23.

Prepare a consolidated profit and loss statement, showing the balance to surplus, the surplus for January 1, 1910, and the surplus for December 31, 1910.

From the balance sheet, prepare a detailed statement of the quick assets and current liabilities, and show the net surplus, stating which it is — quick assets or current liabilities.

6 In this exercise you will be required to find costs of goods in process and of finished goods, and to distribute burden by the direct labor cost method. (See Cost Keeping, and the paragraphs relating to the same, on pages 274 to 277.) Rule nine money columns, full length, on a

sheet of foolscap paper, and head the columns as follows: Materials, Labor, Prime Cost, Burden, Factory Cost, Expense, Total Cost, Profit, Selling Price.

From the data given below find the total cost of materials, the total labor cost, and the prime cost of the following goods in process, entering each article separately on the sheet, and heading the section, Goods in Process.

No. 1: M. (materials), \$139.50; L. (labor), \$56.04. No. 2: M., \$141.62; L., \$112.08. No. 3: M., \$104.18; L., \$92.25. No. 4: M., \$75.06; L., \$13.75. No. 5: M., \$92.12; L., \$6.19. No. 6: M., \$112.24; L., \$48.72. No. 7: M., \$124.85; L., \$104.25. No. 8: M., \$152.10; L., \$15.60. No. 9: M., \$176.90; L., \$140.35. No. 10: M., \$210.05; L., \$223.96.

Rule off all columns of this section, and head the next section, Finished Goods.

Next, on the same sheet, find the prime cost of each of the following articles of finished goods, the total cost of materials, the total labor cost, and the total prime cost: No. 1: M., \$2790.35; L., \$3052.08. No. 2: M., \$2807.25; L., \$3221.52. No. 3: M., \$2102.26; L., \$2603.06. No. 4: M., \$1484.14; L., \$1842.34. No. 5: M., \$1801.82; L., \$2300.32. No. 6: M., \$2303.38; L., \$2655.09. No. 7: M., \$2475.12; L., \$3096.36. No. 8: M., \$3038.08; L., \$3782.84. No. 9: M., \$3517.54; L., \$4254.32. No. 10: M., \$4162.46; L., \$5038.08.

Rule off all columns of this section, and head the next section, Summary.

Find the total costs of materials used in the goods in process, and in the finished goods, and the total labor costs, and show the same in the Summary section. Next find what percentage the labor cost of goods in process bears to the total labor cost, carrying the quotient to three decimal places, and show the same in the explanation column of this section. Then find the percentage of labor cost of finished goods in the same way, and show it in this section.

The overhead charges (Mfg. Exp.) for the period were \$10198.15, and the amount charged off for depreciation was \$4500. Find the total burden, and charge such a part of it to goods in process as you found the cost of labor on these goods to be of the total labor cost. Enter the amount in the Burden column of the goods in process section. Complete this section by finding the factory cost, and extending the amount into the proper column. Foot the columns. In the work of the following sections carry fractions to eight decimal places.

Deduct the amount of the burden on the goods in process from the total burden to find the amount to be distributed over the finished goods. Find the ratio of burden by the direct labor cost method, and distribute the burden over each of the articles, and place the amounts in the proper column. Foot the column. Next find the factory cost of each of the articles, and show the amounts in the proper column. Foot the column.

The selling and the general administrative expenses for the period were \$17635.76. The profit wanted is 20%.

Find the percentage of expense as follows: First, add the amount of the fourth element of cost to the total factory cost, which will give the fifth element of cost, or total cost; second, multiply this amount by 100%, plus the per cent of profit, to find the total selling price; third, divide the amount of the selling and the general administrative expenses by the total factory cost, which will give the percentage of expense. Distribute the expense over each of the articles and enter the amounts in the proper column. Foot the column.

Find the total cost of each of the articles, and show the amounts in the proper columns. Foot the column.

Find the profit on each of the articles and the selling prices of the same, and show the amounts in the proper columns. Foot the columns.

Using the model on page 275, prepare from your cost finding sheet, a diagram of cost finding for the finished goods, and show the results in the Summary section of the sheet. Rule off the section.

The following exercises are given for practice in schools which have adding machines :

7 Prove the postings to your sales ledger by listing first, the charge entries in the original books, second, the charge postings in the accounts in the ledger, and compare the totals ; third, by listing the credit entries in the original books, and fourth, the credit postings in the accounts, and compare the totals. Prove the postings in your general ledger in the same way.

8 Prove your Accounts Payable account by listing first, the original credit balance and all your voucher jackets ; and second, all paid jackets, and compare the difference in the totals with the balance of the account, as shown by your balance sheet. Verify the balance by listing the credit, and charge postings, as instructed in No. 7, and find the difference in the totals.

9 List and add the following items : 1423.64, 377.56, 713.86, 338.67, 674.28, 524.98, 289.24, 700.77, 580.92, 1342.86, 472.10, 1447.07, 750.95, 650.25, 657.39, 1028.11, 692.32, 1212.89, 469.67, 1918.70, 236.60, 690.04, 966.37, 1659.38, 103.63, 283.69, 505.53, 595.30, 1404.20, 3331.44, 2202.20, 4466.55, 1777.64.

10 List and add the following deposits and checks, and show the bank balance : Deposits, Balance. — 8375.92. 1. — 1254.06 ; 2. — 345.04 ; 3. — 402.53 ; 5. — 259.46 ; 6. — 577.59 ; 7. — 359.87 ; 8. — 104.56 ; 9. — 240.57 ; 10. — 1145.22 ; 12. — 310.30 ; 13. — 240.57 ; 14. — 1161.10 ; 15. — 259.40 ; 16. — 1356.52 ; 17. — 631.30 ; 19. — 1226.29 ; 20. — 5142.36 ; 21. — 703.28 ; 22. — 592.46 ; 23. — 177.80 ; 24. — 111.19 ; 26. — 392.15 ; 27. — 817.93 ; 28. — 412.19 ; 29. — 1006.04 ; 30. — 1715.43. Checks : 243.24, 345.67, 1020.50, 65.01, 78.78, 220.34, 354.00, 41.00, 450.70, 66.00, 8.03, 5.00, 749.26, 1104.05, 143.10, 400, 267.76, 1059.90, 444.45, 19.10, 26, 4506.25, 700, 540.34, 2106.78, 1725.50, 346, 444.03, 1223.45, 54.35, 245.87, 1011.36, 104.01, 2775.50, 103.40, 3.13, 181.20, 1623.92, 19.60, 20.10, 53.80, 203, 1781.25, 120.19, 65.22, 13.37, 1210.32.

QUESTIONS

- 1 Define manufacturing, raw materials, and finished goods.
- 2 Explain what is meant by "industrial production," and state how it has been affected by the substitution of mechanical for human forces.
- 3 How do manufacturers dispose of their products?
- 4 What is meant by the "factory system"?
- 5 What is the purpose of organization, and how does it affect manufacturing?
- 6 Explain efficiency, as applied to manufacturing.
- 7 What do the activities of a manufacturer comprise? What is "stock keeping"? "Cost keeping"?
- 8 To what do the records of a manufacturing business relate? Explain how these records are kept with reference to what they show.
- 9 What is the distinctive account in a manufacturing business, and what does it show? How is it represented?
- 10 What other accounts are peculiar to a manufacturing business?
- 11 How may expenses be classified, and what are the advantages of such a classification?
- 12 Explain the analysis book, and state what you think is its use.
- 13 What is the purpose of a "purchase requisition," or of a "stock report"? Explain what is meant by a "purchase order," and state how it is usually made out, and what is done with it.
- 14 How are invoices and expense bills usually treated in a manufacturing business? What are necessary to make this system of records complete?
- 15 What is a voucher jacket? Explain its form and use.
- 16 Describe briefly the voucher register, and state how it should be proved before posting.
- 17 Explain the advantages of the form of cash book you used in the Shoe Manufacturing Business.
- 18 What is an "imprest fund," and how is it treated?
- 19 What is a "petty cash book," and to what book or books is it subsidiary? What is done with the entries in this book?
- 20 Explain the use of the stock ledger, and state what is meant by a "perpetual inventory."

- 21 Explain the two general methods of production in manufacturing, and state some of the commodities to which each method can be applied.
- 22 Explain what is meant by cost keeping, as applied to manufacturing and its principal objects.
- 23 What are the elements of cost? Using your own figures, draw a diagram of cost finding, and show the percentages.
- 24 What is a "production order"? A "material requisition"? A "labor ticket"? A "pay roll"?
- 25 How is cost divided, and how are the prime cost amounts found?
- 26 What is a "cost record"? A "cost ledger"?
- 27 Name six wage systems, and explain the two which are most generally used.
- 28 What is "burden," and what does it include? What other names are given to it?
- 29 When and how is the cost of burden found?
- 30 Name five methods of distributing burden commonly used in connection with cost systems. Explain two of these methods.
- 31 What is a "production report," and what record is made when one is received?
- 32 What account in a manufacturing business corresponds to the Purchaser's account in a mercantile business?
- 33 What is meant by "goods in process," and how is their inventory value found?
- 34 Name the departments into which a modern shoe factory is usually organized, and the work done in each department.
- 35 What materials are used in the manufacture of shoes?
- 36 What are "lasts" and "patterns," and what purposes do they serve?
- 37 How were shoes formerly produced? How are they produced now?
- 38 Explain the production order used in shoe manufacturing, and give some of the details of its use.
- 39 Name three processes of sewing the uppers to the soles of shoes, and explain each process.
- 40 What is an Accrual account? When constructed, for what is it debited? For what credited? What entries are made in this account when the accruals are adjusted?
- 41 When and how are the accrual and inventory entries adjusted?
- 42 Explain in detail the Manufacturing account section of the Manufacturing, Trading, and Profit and Loss Statement, and state what the balance shows, and what item is brought down into the Trading account section.
- 43 How is the gross profit on trading found in the manufacturing business? How the net profit? To what account is the net profit or net loss of a manufacturing corporation carried?
- 44 Describe the usual form and arrangement of the balance sheet of a business corporation.
- 45 Explain in detail how you closed the accounts in the Manufacturing account section of your statement; in the Trading account section; and in the Profit and Loss section.
- 46 What entry should be framed, when a dividend has been declared? When it is paid in cash?

ANALYSIS OF FINANCIAL REPORTS AND STATEMENTS

THE attention of the student has been repeatedly called to the importance of financial reports and statements, and to the necessity for care and originality in their preparation. The reason for this, which by now should be thoroughly appreciated by the student, is that the business man or the official of a company looks upon bookkeeping as a means to an end. He is much more concerned with the figures and reports drawn from the books at certain intervals than he is with the books themselves. He may know nothing of the technicalities of bookkeeping, but he expects a financial statement to be submitted to him which informs him about all the details of his business in a simple, direct, and easily understood manner.

In this work so far, the proper construction of these statements and reports has been given chief attention. Model forms of statements, which meet the conditions illustrated in the different practice sets, have been given for study and as an aid to the student in preparing such statements. The structure of the statements has been emphasized, and it has been assumed that the student has set for himself a high standard for finished work with proper attention given to all details.

Of even greater importance than the artistic construction of financial reports, however, is the ability to analyze and interpret them and to draw sound and intelligent conclusions therefrom. In other words, such statements are of value only as one has the ability to read them understandingly. One should train himself to make comparisons, to draw conclusions, to interpret the figures so as to obtain therefrom an accurate account of the finances of the business.

While the ability to do this is to a great extent the result of business experience, sound reasoning faculties, good judgment, and natural power of analysis, yet there are certain fundamental principles that will assist one to read and analyze a financial statement intelligently. There are certain things which one should naturally look for, depending upon the point of view of the reader, and to this end, a few suggestions are offered to aid in the interpretation of reports, whether it be from the standpoint of the merchant, the banker, the credit man, or the investor.

The analysis of the Profit and Loss Statement will first be considered, after which attention will be given to the Balance Sheet.

ANALYSIS OF PROFIT AND LOSS STATEMENT

1 Comparison of sales, profits, and operating expenses with preceding period or periods. This clearly indicates the growth and expansion of the business, or the opposite; it shows the ratio of increase in expenses to the increase in sales; and it also shows whether the expenses of a certain department have increased without a corresponding increase in results. Many other interesting comparisons may be made which should indicate the progress of the business. The practical value of such comparisons has given rise to a common use of the Comparative Profit and Loss Statement with figures for the current and preceding periods shown in parallel columns.

2 The calculation of percentages of profit and expenses results in a more graphic survey of the business of the period than is possible when the figures merely state amounts in dollars and cents.

Percentages may be calculated showing such results as the following:

- (a) Per cent of gross profit on the cost of sales.
- (b) Per cent of gross profit on the sales.
- (c) Per cent of gross profit consumed by each class of operating expense.
- (d) Per cent of net profit on volume of sales.
- (e) Per cent of net profit on capital investment.
- (f) Per cent of bad debts.

3 Turnover of Stock. — A merchant is always much interested in the “turnover” of stock. As the term is commonly used, the “turnover” for a period represents the cost of goods sold. From the cost of the sales we determine the number of times the merchant has turned his stock by the following method.

Divide the cost of goods sold by the average cost value of the stock carried; if the inventory figures are available for the beginning and the close of the period, and perhaps at semi-annual or quarterly intervals, such inventories are averaged to arrive at the amount of stock generally carried.

ANALYSIS OF THE BALANCE SHEET

Among the things involved in an analysis of the balance sheet, to which the attention of the reader or investigator may be directed, the following may be mentioned.

1 Ratio of Current Assets to Current Liabilities. — This is the first thing ordinarily looked for in an investigation of the balance sheet. As to what this relation should be depends upon the nature of the business, type of management, personnel of owners or officers, and other circumstances.

It is a tradition among bankers to require as a minimum two dollars of current assets for one dollar of current liabilities. In many cases, however, five to one would not be too large a ratio.

The excess of current assets over current liabilities is generally spoken of as the *working capital* of the business.

2 Relation between Invested Capital and Total Cost of Property and Equipment. — It is important to know whether the capital contributed has been used to buy machinery, equipment, land and buildings, looking toward a permanent and established business, or whether it has been spent in development, advertising, etc. In many balance sheets it will be observed that the greater part of invested capital has been used to acquire property and equipment. Here again, circumstances alter cases.

3 Book Value and Market Value of Stock. — If a corporation, the book value of the stock as compared with its market value should be determined. Book value of the stock per share is determined by dividing the total net worth or capital by the number of shares.

4 Earnings per Share. — If a corporation, the earnings per share for the current and preceding periods should be determined.

5 Reserve Accounts. — The question as to whether proper provision is being made for depreciation of fixed assets is important. This would be shown ordinarily by the existence of reserve accounts set up in the balance sheet against the several fixed assets. Proper provision will also have been made in a conservatively managed business for losses from bad debts.

6 Relation between Good Will and Capitalization. — The amount of Good Will shown on the books will indicate the policy of the business with regard to its capitalization. In a corporation, if both preferred and common stock are issued, it will often be found that the preferred stock has been issued against the net tangible property of the business, while the common stock issue is capitalized good will.

7 Relation between Accounts Receivable and Sales. — Examination of the balance sheet and profit and loss statement should be made to see that the accounts receivable are not too large in proportion to the sales. If goods are sold, for example, subject to a cash discount in thirty days, the accounts receivable on any date should not be greatly in excess of average monthly sales. Otherwise the customers are slow in making payments, indicating that there will be losses sustained in collections, or the credit department may not be following up credits as closely as should be done.

8 Contingent Liabilities. — Inquiries should be made to determine whether there are "contingent liabilities" against the business. It may be stated by way of explanation that a contingent liability is one which may arise as a result of the failure of some one else to perform his contract, or from any other cause which places an unexpected obligation upon the business. Notes receivable under discount, accommodation indorsements, guarantees and warranties, etc., are examples of contingent liabilities.

PROBLEMS IN ANALYSIS OF FINANCIAL STATEMENTS

1 The trading activities for the year ending December 31 are as follows:

Inventory, January 1	\$204727
Inventory, December 31	277847
Net sales	801344
Selling expenses	31835
General administrative expenses	34712
Invested capital	512000

Calculate the following :

- (a) Rate of gross profit on Cost of Sales
- (b) Rate of gross profit on Sales
- (c) Per cent of gross profit consumed by
 - (1) Selling expenses
 - (2) General administrative expenses
- (d) Per cent of gross profit remaining
- (e) Rate of net profit on capital

2 Calculate how many times the stock has been turned during the year in the following problem :

Cost of goods sold	\$631712
Inventory, January 1,	214217
Inventory, December 31,	268682

3 The following is a comparative balance sheet at December 31, 1910, and at December 31, 1911, presented to the board of directors of the Western Company at its meeting January 5, 1912.

ASSETS	DEC. 31 1910	DEC. 31 1911
Land	\$20000	\$25000
Buildings	45000	45000
Machinery and tools	86000	89000
Horses, wagons and harness	10500	10500
Patents	6000	6000
Good will	25000	25000
Cash	28300	10300
Accounts receivable	29600	26550
Investments and bonds		15000
Inventory — Goods in process	10800	14690
Inventory — Material and supplies	6750	10300
Agency investments		3680
	<u>\$267950</u>	<u>\$281020</u>

LIABILITIES		
Bonds and mortgage payable		\$20000
Notes payable	\$35000	2000
Accounts payable	16400	19350
Reserves for depreciation	2500	6750
Discount on bonds		1000
Capital stock		
Preferred	150000	150000
Common	50000	50000
Surplus	14050	31920
	<u>\$267950</u>	<u>\$281020</u>

The land increase was due to appraisal based on rise in values of factory sites in the immediate vicinity.

Together with the balance sheet (page 308) there was submitted to the board a statement of income and profit and loss showing the profits of the year to have been \$22120.

The directors state to the auditor that in view of the decrease of cash and accounts receivable, of the absence of dividends, and of the increase of capital liabilities, they are unable to ascertain what has become of the profits of the year.

Prepare a statement to show clearly how the Western Company has applied such resources of the year 1910 as have been lost in 1911, and the resources and profits of the year 1911.

4 On a sheet of analysis paper the assets and liabilities would be set up as they appear in the problem in parallel columns; the two columns to the right should be headed respectively "Increase" and "Decrease" and the increase or decrease in each asset and liability shown.

The results shown by such an analysis are as follows:

Net Increase in Assets	\$13070
Add	
Net Decrease in Liabilities	4800
Net Increase in Surplus	<u>\$17870</u>

Of the net profit as stated to the directors, however, \$3000 was due to an increase in the book value of the land.

Deduct from	
Net Increase in Surplus	5000
	<u>\$12870</u>

5 The balance sheets of the Greenleaf Manufacturing Company, at December 31, 1913, and December 31, 1914, may be summarized as follows:

	DEC. 31 1913	DEC. 31 1914
Good will	\$200000	\$230000
Land and buildings	450000	750000
Machinery	200000	400000
Tools	40000	80000
Unexpired insurance	3000	4000
Inventories	400000	375000
Accounts receivable	175000	250000
Cash	25000	20000
Investment in stocks and bonds	95000	
	<u>\$1588000</u>	<u>\$2109000</u>
Capital stock	\$800000	\$1100000
Bonds	350000	500000
Bank and other loans	70000	80000
Accounts payable	145000	125000
Accrued interest	7000	11000
Accrued taxes	4000	6000
Surplus	212000	287000
	<u>\$1588000</u>	<u>\$2109000</u>

During the year a dividend of 4% was declared and paid on the stock outstanding at the beginning of the year. \$7000 was provided for the depreciation of the buildings, \$16000 for machinery, and \$4000 for tools. The bonds were sold for par, and the stock was sold at 90 and the difference was charged to good will account.

In the light of the above facts interpret the changes that have taken place in the financial position of the company between the two dates and, so far as possible, indicate how they were effected.

APPENDIX I

AUDITING

Auditing is the examining of the entries in books of accounts, and of the subsidiary and supporting records. Such an examination is called an "audit," and a person who makes it is called an "auditor."

The practice of auditing is an established profession. The professional auditor is usually an expert accountant, and many auditors are also certified public accountants, who practice under the authority of a certificate granted them by a State Board of Accountancy, or other similar body, and which entitles such accountants to use the abbreviation C. P. A. after their names.

Object of an Audit. — The principal object of an audit is the detection of errors and fraud in the records; that is, to determine whether or not the records are correct and complete, and the bookkeeping work has been honestly and efficiently done.

Term of Audit. — The space of time covered by an audit is called the "term of audit"; and this may be any time agreed upon between the auditor and his client; as, six months, one year, five years, etc. The first date of the term of audit is called the "initial date," and the last date, the "terminating date."

Kinds of Audits. — Audits are divided, with reference to time when made, into First Audit; Continuous Audit, usually once a month; Periodic Audit, usually once a year; Special Audit, also called an "Inspection," made on behalf of an intending purchaser, a creditor, a retiring partner, or on account of suspected fraud; Final Audit, for the adjustment of a partnership, or on the discontinuance of a business.

Audits are divided, with reference to different classes of business or activities, into Commercial Audits, which include trading, manufacturing, and mining concerns; Financial Audits, which include banks, insurance companies, public service corporations, building and loan associations, societies, clubs, etc.; and Municipal or Public Audits, which include the accounts of towns, cities, counties, states, and governments.

Only commercial audits, as they relate to trading and manufacturing concerns, will be treated in this book. For further information on auditing, the student is referred to the special books on the subject.

Duties of an Auditor. — An auditor should critically examine, or satisfy himself as to the accuracy of, all entries in the books of account made during the period under audit, inspect all available vouchers, and compare them with the records; verify all assets and liabilities as of the terminating date; make a report of his audit; and certify to the accuracy of the balance sheet.

Auditor's Working Papers. — The papers which an auditor uses in making an audit are called "working papers." These include trial balances, abstracts, balance sheets, analysis sheets, etc. In addition to these working papers, auditors use a notebook in which they make records of such matters as will assist them in making their report.

Kinds of Errors. — In examining entries in books of accounts, there are three kinds of errors, the presence of which the auditor should detect, or the absence of which he should prove. These are *intentional errors*, *technical errors*, and *errors of principle*.

Intentional errors are errors made for the purpose of perpetrating or concealing fraud. Technical errors are errors which are made through carelessness, such as posting to the wrong account, mistakes in footing, or carrying footings forward, etc. Errors of principle are of two kinds, viz., those of omission and those of commission. Errors of omission are: failure to provide proper reserves for depreciation of property subject to deterioration, or for shrinkage of values; failure to include in the assets and liabilities amounts accrued but not due, such as interest, insurance, taxes, etc., and prepaid charges. Errors of commission include mistakes made in framing original entries, such as charging or crediting items to capital accounts which should be placed to revenue or expense accounts, or vice versa.

Method of Audit. — The general principles of auditing apply to all kinds of audits, but the particular method of making an audit will depend somewhat upon the kind of audit to be made, the class to which the business to be audited belongs, and to the way the books and accounts are kept.

Some auditors check all postings in the ledgers, and verify all extensions and footings in the books of original entry. Other auditors use the analysis method of auditing, by which all general ledger accounts are analyzed on analysis sheets. This method is preferable for certain classes of audits.

Preparation for Audit. — Before beginning an audit the auditor should require that all postings be completed, all footings be inked in, all balances be struck, and a trial balance of the general ledger and abstracts of the subsidiary ledgers be taken, as of the terminating date. The trial balance and abstracts of the initial date should also be in the hands of the auditor.

Vouchers for all payments, and all other available vouchers, should be arranged in proper order.

When possible the cash on hand at the close of the terminating date, excepting petty cash, should be deposited in bank on the succeeding day, and the bank balance should be reconciled as of the terminating date.

Schedules of the inventories of the stock and other property on hand, duly certified, should be ready, as well as a list of notes receivable and payable, and of securities. A list of all overdue accounts should also be prepared.

A trading, profit and loss statement, if a trading concern, and a manufacturing, trading, and profit and loss statement, if a manufacturing concern, and a balance sheet, should be prepared.

And, finally, a complete list of all books, with the names of the clerks in charge of them, should be compiled.

Order of Procedure. — The first step to take in making a commercial audit is to prove the cash balance of the terminating date.

Prove Cash Balance. — As a preliminary to this step the bank book should be left at the bank to be written up, with a request that this be done as soon as possible. If the audit is begun on the following day, and all cash on hand, excepting petty cash, has been deposited, the check book and petty cash book (excepting when an Imprest Fund account is kept) will show the general cash balance to be proved. If the cash has not been deposited, the currency of the terminating date should be counted and listed, together with any items that may be carried as currency. Next, the checks on hand should be listed, after having been compared with the entries in the cash book, which entries should, of course, be within the term of audit. The amount of these two lists should be added to the balance in the bank in the check book.

If the audit is begun some time after the terminating date, and the cash was not balanced on that date, the cash should be balanced and proved on the beginning day. To this amount all payments since the terminating date should be added, and all receipts deducted to find the terminating balance.

After the cash balance and footing of the general cash book have been proved and checked, the petty cash balance should be proved and the currency listed, if no Imprest Fund account is kept, and the footings of the petty cash book proved and checked. A summary of the cash lists is sometimes made to be incorporated in the report.

Reconcile Bank Balance. — The bank balance should be reconciled as soon as the bank book is returned by the bank, and all deposit entries verified. The vouchers should be inspected, both as to amounts and indorsements, and any discrepancies noted. The existence of the checks which appear to be outstanding should be proven, by communicating with the payees, unless proper vouchers are on file.

Send Statements to Debtors. — Detailed statements of the open accounts in the sales ledger, showing the balances on the initial date, and the charges and credits from that date to the terminating date, with proper explanation of each item, should be sent in self-addressed and stamped envelopes to the debtors, with request to examine the statements and return them promptly to the auditor, with their approval or disapproval, and nature of the same noted thereon. When these statements are returned, they are compared with the accounts, and such accounts as are found to be in agreement are marked *Correct*. Note should be taken of any errors or omissions, and these should be investigated.

Request Statements from Creditors. — Requests should be sent to creditors with whom there are open accounts for complete statements of the client's account covering the term of audit, accompanied by self-addressed and stamped envelopes.

When these statements are returned, they are compared with the accounts, and such accounts as are found to be in agreement are marked *Correct*. Note should be taken of any errors or omissions, and these should be investigated.

While the statements are being returned and received, the auditor will be proceeding with the auditing of the other accounts.

Audit Notes Receivable. — The notes receivable on hand should be carefully examined to see that none are fictitious; and if the auditor has any doubts as to the validity of a note, he should communicate with the apparent maker, and obtain from him a verification of its genuineness or falsity. Notes that have been left at the bank for collection should be verified by obtaining a certified list from the bank. The notes and the list should be compared with the schedule and checked, but not stamped, and the footing of the schedule should be checked with the balance of the Notes Receivable account. Notice should be taken of any past due notes which are unsecured, and these should be charged back to the accounts of the makers through adjustment entries in the journal at the conclusion of the audit.

Some auditors when so authorized frame and post adjustment entries to correct errors or omissions, as these are detected in the progress of the audit, while others defer this work until the concluding stage of the audit.

Customers' notes which have been discounted and not paid are a contingent liability. A list of these should be made, and note should be taken whether or not a reserve has been provided for contingent liabilities.

If any securities, such as stocks, bonds, etc., appear in the assets, these should be carefully inspected, and compared with the schedule, the footing of which should be verified, and checked with the account or accounts in the ledger.

This concludes the preliminary steps usually taken in making an audit.

Audit General Cash Book. — The general cash book should now be audited, and as intentional errors are more frequently made in this book than in any other, the auditor should be constantly on the lookout for evidences of fraud while auditing the cash book. As a special precaution against overlooking false cash entries in the accounts, the cash items in the ledger should be checked into the cash book, which is the reverse of the usual checking procedure. Note should be taken of items which do not check, either in the ledger or the cash book, and proper investigation made.

Debit Side. — The debit side of the cash book should be audited first. The balance of the initial period should be compared with the cash balance as shown by the initial trial balance, and checked, if found to agree. The cash items on the credit side of the general ledger, including the controlling accounts, should next be checked individually into the cash book, and if there are any available vouchers for the entries, they should be examined and the entries compared with them, after which each voucher should be stamped *Audited*, to prevent it being used again for this purpose.

When the analysis method is used, the accounts in the general ledger would be analyzed on analysis sheets before the auditing of the cash book is begun, and the cash totals would be checked into the cash book.

Auditors usually stamp audited vouchers, excepting securities, notes payable, deeds, etc., with a rubber stamp, which contains the word *Audited*, and the name or initials of the auditor.

The entries for the items in the Accounts Receivable column of the cash book will remain unchecked, but the total receipts from customers during the term of audit have been checked through the controlling account, which may be accepted at this time as proof of the accuracy of the items. If any errors exist in these items, they will be found when the statements sent to customers are returned.

When other special columns are used, such as Mdse. Disct. and Sales, the items in these columns will of course also remain unchecked, but the monthly totals will be checked through the accounts in the general ledger.

The footings of all of the columns on the receipts side of the cash book should be verified for the entire term of audit.

Credit Side. — After all the general column entries and the footings of the special columns of the debit side of the general cash book have been checked, the credit side of that book should next be audited by checking the debit cash entries in the general ledger, including the controlling accounts, into the general cash book. There should be a voucher in some form, as a returned check, a receipt, or a canceled note, for every entry on this side of the cash book, excepting for the entries representing outstanding checks; and even for some of these there may be receipts or acknowledgments. All returned checks should be compared with the entries to see if they agree, both in respect to name of payee and amount, and the indorsements should be inspected, after which the checks should be stamped *Audited*. The outstanding checks should be checked from the reconciliation of bank balance against the entries representing them in the cash book, and the entries proved, when possible, by receipted invoices or other vouchers. The receipts for currency disbursements should be inspected, compared with the entries, and stamped. The collection and exchange items in the cash book, or on the collection and exchange slips, should be verified through the check book and bank book, and the totals through the general ledger. When slips are used they should be stamped.

The totals of the Accounts Payable column in the cash book are checked through the entries in the ledger, and the entries representing these totals are checked through the purchase ledger, or the voucher register, when the Voucher System of accounting is used.

Audit Petty Cash Book. — The petty cash book should next be audited, and the supporting vouchers inspected and stamped.

Inspect and Stamp. — After both sides of the cash books have been audited, these books and the general ledger and the purchases ledger, or voucher register, should be inspected for unchecked cash entries. If any exist, they should be noted and investigated. When the cash books have been audited, the auditor should stamp or initial each page to show that fact, and this should be done with every book audited.

Verify Abstract of Purchases Ledger. — Verify the balances as shown on the abstract of purchases ledger with the accounts in that ledger, or in the voucher register, checking each account found to agree, and then check the footing of the abstract with the balance of the controlling account.

Audit Purchases Journal. — In auditing the purchases journal, or invoice book (when the latter is still used as a book of original entry), or voucher register — the footings for the entire term of audit should be verified, and the totals for each month checked with the controlling account. The credit entries in the purchases ledger accounts should be supported by invoices, properly certified, and the debit entries by returned checks, by return book and allowances book, or journal, entries. And the original debit entries should be supported by proper vouchers, which should be examined.

The monthly statements from creditors will serve to verify the accuracy of the accounts in the purchases ledger, or of the entries in the voucher register. A more satisfactory method would be to check all entries for purchases, direct from the original invoices, and all credits from the books of original entries. All vouchers should of course be stamped at the time they are compared with the entries.

Audit Voucher Register. — The entries in the voucher register are supported by voucher jackets and voucher checks, and these should be compared and checked, and the vouchers stamped. The footings of the columns of the register should be verified and checked against the accounts in the general ledger. The items in the Miscellaneous columns should be analyzed and checked against the entries in the analysis book. The footings of the analysis book should be verified and checked against the footings of the proper columns in the register.

Verify Abstract Sales Ledger. — The next step to take is to verify the abstract of the sales ledger, by comparing the balances, as shown thereon, with the accounts in the sales ledger, checking each account found to agree, and then compare the footing of the abstract with the balance of the controlling account, checking the two amounts if they agree, and noting any changes if they do not agree.

Audit Sales Books. — Whether sales books or sales journals are kept, the footings for the term of audit should be verified, and the monthly totals compared with the entries in the controlling account. It is not usually practicable or desirable to verify the extensions or footings of the individual charges in the sales book, as it may be assumed that these were verified before the bills were sent out. Neither is it usually practicable to check the individual charges to the personal accounts in the sales ledger. The balances of these accounts should be checked from the statements sent to customers, when they are returned. If any are not returned, the accounts which they represent should of course be checked, but every effort should be made to have the statements returned.

Audit Return Books. — All entries in the return books, both purchase and sales, should be examined with the vouchers or supporting records, and checked against the entries in the

subsidiary ledgers. The footings should be verified and checked with the entries in the controlling accounts.

Audit Journal. — Special care should be taken in auditing the journal, as it is to this book that resort is often made to falsify the records. As now generally used, the journal contains comparatively few entries, and these should be authenticated and checked against the entries in the accounts in the ledgers. Any errors or doubtful entries should be noted and investigated. The footings for the term of audit should be verified, and the footings of the special columns checked against the entries in the general ledger.

Verify Schedules. — The schedules of assets and liabilities not already verified should now be examined. The auditor should see that the inventories of merchandise and other property have been properly O.K.'d and certified as to the fact that the property represented by the schedules has been purchased and is now on hand. Also that the merchandise stock was inventoried at prices not exceeding the original cost or current market value, whichever is the lower. The auditor should satisfy himself as to the correctness of the extensions and footings of the merchandise inventory schedules. This he may do by making random tests on the schedules: that is, by verifying the extensions and footings here and there. If correct, the total footing of the merchandise inventory schedules should be checked with the corresponding amount on the profit and loss statement, and on the balance sheet.

The accuracy of the other property schedules should be verified and checked, care being taken to see that proper allowances were made for depreciation. Any errors or omissions found in the schedules should be noted for adjustment. All accrued, but not due, assets and liabilities, and all prepaid charges (deferred charges) should be determined, and if any were omitted from the records, they should be listed and noted for adjustment.

Conclusion of Audit. — After all of the books and supporting records have been audited, as heretofore explained, the books of original entry should be inspected to see if all entries requiring to be checked, and all footings, are checked. Note any errors not previously noted, and investigate the same. The accounts in the sales ledger should be examined to see if these have all been marked "correct," to show agreement with the statements sent to customers, and to note any differences. The purchases ledger, or the Vouchers Payable entries in the voucher register, should be examined in the same way, and any errors noted.

The accounts in the general ledger should be inspected, and refooted for the term of audit, and any errors noted. Verify the trial balance by checking each amount against the corresponding account in the ledger.

For the purpose of rating the accounts in the sales ledger into the three classes, "good," "doubtful," and "bad," the auditor may obtain assistance from the credit man, or some member of the firm, or officer of the corporation; but he should use his own judgment in making the ratings.

Adjustment Entries. — If errors were detected during the progress of the audit, these should now be adjusted to bring the books into agreement with the facts, as shown by the auditor's balance sheet. This is done by framing proper entries in the journal and posting them to their respective accounts. The data for these adjustment entries will be found in the auditor's notebook and on his working papers.

Preliminary Trial Balance. — A preliminary trial balance should now be taken of the general ledger, as of the terminating date, including adjustment entries; also, abstracts of the purchases and sales ledgers, and these should be compared with the controlling accounts.

Profit and Loss Statement. — A trading, profit and loss statement, if a trading concern, and a manufacturing, trading, and profit and loss statement, if a manufacturing concern, should now be made out, and this should show the trading activities, or manufacturing and trading activities, the revenues and expenses, the true net profit or net loss, and the disposition of the profit, or the adjustment of the loss. Proper schedules to support the statement should also be made.

Balance Sheet. — The balance sheet should show in condensed form the actual assets, liabilities, and present worth, or capital and surplus, or deficit, of the concern on the terminating date, and should be supported by proper schedules.

If an individual or partnership concern, the assets and liabilities are usually arranged on the balance sheet in the order of current and fixed, and the proprietor's or partnership items are placed after the liabilities. If a corporation, the assets and liabilities are stated in the order of fixed and current, and the capital stock is placed before, and the surplus after, the liabilities. If there is a deficit, it is shown after the assets.

Auditor's Report. — After the audit has been concluded, the statement, schedules, and balance sheet have been made out, and the books are in agreement with the same, the auditor should make a statement to his client of conditions as he found them. This is called the "auditor's report."

The auditor's report usually contains a balance sheet, styled "Exhibit A," and supporting schedules, which are styled, "Exhibit A — Schedule 1," "Schedule 2," etc.; a Profit and Loss statement, Exhibit B, and schedules; and a copy of the adjustment entries, Exhibit C. If the report is unqualified, the balance sheet is certified by the auditor.

The following is the usual form of auditor's certificate attached to the balance sheet :

We have examined the books of the Wilson Leather Company for the year ending Dec. 31, 1910, and we certify that in our opinion the above Balance Sheet sets forth the true financial position of the company on that date, and that the relative Profit and Loss account is correct.

54 William St., New York,
Feb. 21, 1911.

Price, Waterhouse & Co.
Chartered Accountants.

If the report is qualified, the balance sheet is certified subject to the qualifications set forth in a separate statement, Exhibit D, and "This exhibit is subject to the qualifications set forth in Exhibit D" is written at the bottom of the balance sheet. Exhibit D contains comments on the examination, and states the reasons why the auditor qualifies his certification as to the correctness of the assets and liabilities shown in his report. It also frequently contains suggestions for the improvement of the system of accounting in use by the client.

EXERCISES

The following exercises are intended to give the student such practice in auditing as will enable him to thoroughly comprehend the principles of the subject, and to become familiar with the usual procedure in making a commercial audit. While the schoolroom has its limitations in matters of this kind, as compared to the business office, the books of student bookkeepers provide good "cases" for the student auditor, and he should perform the work with the same care he would use if in actual practice.

For all working papers, notebooks, and reports, loose paper may be used. If no rubber stamp is available, the student will write *Audited* and his initials where the stamp would be used.

1 Audit the books of Taylor, Wood & Co. for August or for September (whichever your teacher may direct), which will represent a fiscal period.

Apply to your teacher for the books and supporting records of some other student, and having obtained them, read again "Preparation for Audit," page 312. Next proceed with the auditing in general accordance with the instructions given in "Order of Procedure," page 312, and following paragraphs. You will not be required to send statements to debtors, or requests for statements from creditors. Only such vouchers as would be on hand in actual business should be used in making your audit. Separate the others from these.

You are at liberty to use either the straight checking method or the analysis method of auditing in performing this work. If you decide to use the analysis method, prepare an analysis sheet as one of your working papers, and analyze the accounts in the general ledger. Verify the original entries by the vouchers, and check the totals of the columns of the books with the totals of the corresponding columns on your analysis sheets.

Make careful notes in your notebook of any errors which you detect, but do not make any corrections in the books. After completing your audit, make a report including the necessary exhibits and schedules. In making Exhibit B, show the results in condensed form only, and give the details on the schedules. That is, show the gross revenue, the operating expenses, and other deductions from revenue, the net profit, and the disposition of the same.

Hand the report, exhibits, and schedules, together with the books and the vouchers, to your teacher.

2 Audit the books of the W. J. Hilton Shoe Company for December, which will represent a fiscal period.

Apply to your teacher for a set of books and accompanying vouchers, and proceed as instructed in No. 1. Strive to improve on your previous effort, and take special pains with your report.

Make Exhibit A in consolidated form. That is, state the different assets and liabilities in totals, and when necessary support by schedules. This applies particularly to the current asset inventories, and also to the Accounts Receivable, Notes Receivable, etc.

In making Exhibit B, show gross sales, returned goods, net sales, cost of net sales (support by Exhibit B, Schedule 1, which will show the Manufacturing account in detail), gross profit on trading, and state the percentage on sales and on cost. Show also the deductions for selling expenses, total selling expenses, and percentage, based on the gross profits; the deductions for the general administrative expenses, total of the same, and the net profit on trading.

Hand your report, together with the books and vouchers, to your teacher.

QUESTIONS

- 1 Explain what is meant by (a) "auditing," (b) "audit," (c) "auditor."
- 2 Of what is C. P. A. the abbreviation?
- 3 Explain how a person may become a C. P. A. in your state.
- 4 What is the principal object of an audit?
- 5 What is meant by "term of audit," and what may it be?
- 6 What are the names of the first and last dates of the audit term?
- 7 Name the different kinds of audits as regards (a) time when made, and (b) classes of business or activities.
- 8 What are the duties of an auditor?
- 9 What is meant by an "auditor's working papers"?
- 10 Name and explain the errors the presence of which an auditor should detect, or the absence of which he should prove, in making an audit.
- 11 State what preparation should be made for an audit.

- 12 State briefly the steps to take in making a commercial audit.
- 13 How is the cash proved when the audit is begun some time after the terminating date?
- 14 What book or books should an auditor examine with special care for the detection of intentional errors?
- 15 What evidence should an auditor generally require that the original entries are in accordance with the facts?
- 16 How do auditors indicate that they have examined an entry? A voucher?
- 17 What should be done when an error is detected in making an audit?
- 18 How are the books brought into agreement with the facts, as found by the auditor?
- 19 What does the auditor's report contain?
- 20 If the auditor is unable or unwilling to certify to the accuracy of the balance sheet, how may he indicate that fact?

APPENDIX II

TRADE ACCEPTANCES

Trade Acceptance. — A trade acceptance is similar in form to an ordinary acceptance, although differing in character, the purchaser “accepting” the drafts of the seller for goods actually delivered in accordance with terms as arranged at 30, 60, or 90 days’ sight. It shows upon its face that it is to cover the purchase of such goods. Trade acceptances may be used by merchants, manufacturers, or producers, selling on terms of 30 days or longer, to finance transactions in any and every stage from production to the marketing of goods.

Definition. — As defined by the Federal Reserve Board: — “A trade acceptance is an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay at a fixed or determinable future time a certain sum in money to the order of a specified person. The bill must be drawn by the seller on the purchaser of goods sold and accepted by such purchaser.”

The Use of Trade Acceptances. — The use of trade acceptances is increasing. A few years ago there were not many American business men who understood what was meant by the term “acceptances.” They rarely were used in general business here, although in England and continental Europe for years they have been almost the only instrument of credit used in ordinary business transactions. A man buys a bill of goods from a wholesaler, and then the wholesaler executes a draft on the buyer, who writes across the face of it “Accepted” and affixes his name. This draft then becomes a negotiable two-name paper which the wholesaler may retain until maturity if he wishes, or else take it to his bank and have it discounted at a rate usually considerably lower than that asked for single-name paper. The “acceptance,” as the indorsed draft is called, is an order to pay and *prima facie* evidence of an obligation. It is a method of settling a business transaction that is infinitely superior to the “open account” system, which until recently was almost the only method of settling accounts used by American business men.

Previous to about 1860, acceptances were used to some extent in this country, but their use was discontinued. With the establishment of the Federal Reserve system, however, and the provision in the law making it legal for the banks to take acceptances for rediscount, there began an immediate agitation among bankers, credit men, and others interested in economic welfare for a return to the use of acceptances here.

Advantages of Trade Acceptances. — Those who advocated acceptances instead of the old “open account system” have pointed to the obvious disadvantages of the latter system by which the seller must carry the financial burden of the buyer, thereby tying up a vast amount of capital that might be utilized by him. Credit under the open account system is for an indefinite instead of a specified period. Collection is uncertain and at times impossible. Hence they pointed to the fact that such accounts do not represent “quick” assets, as invariably a large dealer must borrow money on his own notes at high interest rates to discount his own bills, and it is impossible ordinarily to discount open accounts for more than 50 per cent of their book value.

The old system is becoming inadequate to meet the demands of future business conditions, while the “acceptance” system is so simple and yet so adequate that there is a broad demand for its wider use. Consequently a large number of business houses have now undertaken to have their transactions settled by means of these useful credit instruments. The open account system is of course still in use, and probably will be for years.

The waste in bad accounts in this country is enormous, and the overhead office cost of the open account system undoubtedly is much heavier than that of a system where acceptances are generally used. Both of these elements of expense can be greatly reduced as under the older method they act as a drag on business. The main advantage, however, in the “acceptance” system, which is not always recognized, is that a large part of the burden of business may be shifted to the banks which are best able to carry it. Accounts instead of being a dead weight upon the seller become a readily convertible liquid asset at a low rate. The banks can discount them, and they may be rediscounted at the Federal Reserve banks and thus become the basis for an expansion of the currency as occasion and conditions may demand.

Illustration and Creation of Trade Acceptance. — Seller & Co. of New York, N. Y., sells to Purchaser & Co. of Boston, Mass., a bill of goods to the amount of \$4370, on terms of 60 days’ net, with a discount privilege of 2 per cent in ten days. When sending the invoice for the goods, Seller & Co. include with it a trade acceptance properly filled out and signed by themselves, and corresponding to the invoice as to amount and date of maturity.

Purchaser & Co. may, if they wish, pay bill within the cash discount period. In that case there would be no need of their “accepting” the trade acceptance. If, however, they desire to

TRADE ACCEPTANCE			
No. 32	1919	New York, N. Y., Jan. 17, 1919	\$ 4370.00
At ninety days		after date	pay to the order of OURSELVES
FOUR THOUSAND THREE HUNDRED SEVENTY 00/100 Dollars			
The obligation of the acceptor of this bill is out of the purchase of goods from the drawer, maturity being in conformity with original terms of purchase. The drawee may accept this bill payable at any bank, trust company or banker's office in the United States which he may designate.			
To Purchaser & Co.	Boston, Mass.	Location of Bank Boston, Mass.	Signature
Due April 16, 1919	Date	Payable at	

Seller & Co.

take the full credit term allowed, they may "*accept*" the trade acceptance by writing or stamping on its face the words "*accepted*," the date and the place of payment, usually their local bank.¹ They then sign it and return it to Seller & Co.

It may be assumed that, before signing the trade acceptance, Purchaser & Co. have received the merchandise and have assured themselves that it checks up properly with the invoice. On the date set for payment they will be expected to have on deposit at the bank indicated by them as the place of payment sufficient funds to pay the acceptance on presentation.

When the signed acceptance is received by Seller & Co. they may keep it until a short time before it falls due and then send it to their bank for collection. If they should need funds in the meantime, and do not wish to borrow on their own note, they may indorse Purchaser & Co.'s acceptance and take it to their bank for discount, or they may sell it in the open discount market.

If Purchaser & Co.'s acceptance has been discounted at a bank, the bank may retain it in its portfolio until maturity, or may sell it to the Federal Reserve bank in their district.

¹ Payment should be made at a bank in the community where the business of Purchaser & Co. is located. If at any other place, for example, a bank in Seller & Co.'s community, special understanding of such arrangement must be indicated in the body of the acceptance when it is signed, otherwise it may not conform to the Negotiable Instruments Act.

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